Challenge
THE MAGAZINE OF ECONOMIC AFFAIRS

Contents
Vol. IV No. 8
May 1956

Published by
INSTITUTE OF ECONOMIC AFFAIRS
NEW YORK UNIVERSITY

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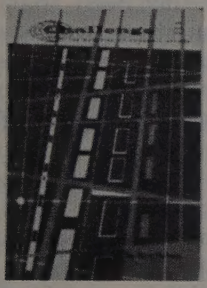

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a personal note

from the editor

how many changes, before
a bear begins to look like a man

THROWING A MEMBER of the family to the wolves in order to create a diversion while the remaining members save themselves is an old Russian custom. I am told by people of Russian origin that such an act of desperation, if not commonplace in the old country, happened all too frequently when a traveling family was cornered in a forest or the open tundra.

The events that have unfolded in Russia since the Twentieth Party Congress met in Moscow have shown the Russian leadership to be in the same plight as the family trying to escape the wolves. Nothing short of a major sacrifice, it was felt, could keep the wolves of discontent from closing in. Thus, Stalin and all that he stood for had to be dropped by the wayside.

Evidently the rest of the world just did not know how ferocious the Russian wolves were getting. But the new leadership knew, and it continues to work hard at the task of disassociating itself from the crimes and mistakes of the old dictator. The question now is, who or what else might have to be dumped before the present leaders of Russia, or their successors, can feel that they are out of the woods? The answer to that question, if we knew it today, could vitally affect the course of our own policy decisions.

The most spectacular developments add up to a series of amazing shifts in the Kremlin's ideological line. The immediate effect of these shifts has been a reduction in the stature of ex-Comrade Stalin to something only slightly larger than the still-to-be-restored Leon Trotsky. How times and fortunes change! In addition, the Leninist dogma of the necessity of violence to bring about communism has been diluted to make allowances for exceptions; an obscured Leninist pronouncement that different countries might achieve socialism in different ways has been highlighted (for the benefit of Titoists); Khruschev has refuted Lenin's theory of the inevitability of war, and he has cited the power of a Third Force, the neutral countries, to give support to a worldwide peace movement; and finally, Mikoyan

has come out and blasted the old line that cyclical economic crises in the capitalist world are inevitable. In short, the bear that walks like a man is beginning to sound like a human being. Maybe so, but we would all feel better if he went in for a manicure first.

Now, what does all this mean to the free world? For one thing, it means that the communist bosses continue to be intrigued by the dialectics of their own preconceptions. They have a reputation for being realists in procedural matters, but they just can't resist abstractions when it comes to substantive matters. The sound and fury of their own axioms carry as much weight in their considerations as facts and proved truths. They talk like idealists and pose as intellectuals. But more often than not, much of what they theorize about has as much substance as the medieval argument about how many angels can sit on the head of a pin.

As long as the braintrust in the Kremlin is preoccupied with such matters, we can be relatively certain that Russia will not be involved in any major move. War cannot be risked while a shift in the ideological gears is being made. In fact, the longer the party bosses intellectualize, the longer it will take them to make up their own minds as to where they are willing to make a stand. Look at anything too closely for too long, and you begin to see double. There is always the chance that they will tire themselves out trying to follow the convolutions and gyrations in their own theories. These are the short-range possibilities.

But what of the possibilities for the next decade or two? Since it was possible to drop Stalin, it might prove to be good domestic and international policy to drop Lenin next. And since good precedents will have been established, it might turn out that even Karl Marx will have to be thrown to the wolves. All this would be done, of course, in the name of preserving for Russia a modicum of flexibility in its quest for survival and position in world affairs.

This brings us to the final consideration. If the very last symbol of communism were thrown to the wolves for the sake of preserving the authority of those in the Kremlin, would Russia continue to be a threat to the Western world? It would appear that the answer must be in the affirmative. If the dynamics of Russian society are such that Russia without Stalin remains essentially unchanged, then we must conclude that the same will hold true without Lenin and without Marx. There is something more than a mere ideological stamp to the present threatening posture of Russia.—H.B.

Challenge Notes

What is "normal" growth; strike insurance; "unforbidden" fruit

ONE OF the most controversial and at the same time most pressing problems in a free economy is to determine just what constitutes "normal" growth. In a totalitarian economy this is not a problem, since growth is made dependent on a bureaucratic plan, rather than on the free choices of unpredictable human beings. The state creates its own "normal" (in reality, highly abnormal) growth.

In an essentially free and undirected economy like ours, the problem is a good deal more difficult. When, for example, the Federal Reserve decided to raise the rediscount rates on loans to member banks, thereby raising the cost of business borrowing, it obviously sought to tighten the supply of credit. Apparently the Fed was worried that the economy might be expanding too rapidly and sought to post "go-slow" signals through the simple expedient of making money more expensive.

But how did the Fed come to decide that the boom was expanding too rapidly and should be curbed? Well, there have been indications that at least some of our current expansion is being sustained by a very high rate of consumer credit rather than by our expanding incomes. At the same time, shortages have begun to develop for certain industrial resources, thereby pushing up prices. With labor in short supply in many areas, another wage-price spiral is building up. In view of all these inflationary symptoms, most economists would agree with the Fed's diagnosis.

In a free economy, however, one can never be certain. Will consumers continue to buy more automobiles, TV sets, etc., than last year? Or will they decide to go easy for a while? Of course, we can make surveys about what people *think* they are going to do, but such surveys, at best, are little more than educated guesses. Most of us cannot answer for our future actions, because we don't really know what that future

holds for us—any more than does the Fed. Economic policy in a free society is an art rather than a science.

Strike Insurance

THE ability of national labor unions to compensate the members of striking locals for their loss of income has long been recognized as giving labor an important advantage in collective bargaining. The United Automobile Workers, for example, has paid employees of the Kohler Company, who have been on strike for more than two years, an estimated 8.3 million dollars in benefits. Small wonder that management, which can expect no such assistance from the competition, often has no choice but to sign on the dotted line. This is particularly true of small, diversified firms which simply cannot survive a prolonged strike.

Is this "unfair"? In some cases, we suppose, it is. Certainly when a small company sits down with an industrial union, it is not bargaining with an "equal." On the other hand, we don't think very much of a recent move by Hawaiian sugar planters to set up a cooperative insurance system against strike losses. In this way the planters hope to present the union with a solid front.

Now, such a scheme—if it works—would probably make the planters more "equal" with the union. The only trouble is that it would also make them more equal with each other. With their costs pegged to what the least efficient planter can afford, a common strike fund would, in effect, penalize the efficient planter able to absorb a wage hike. By taxing an efficient business in order to subsidize a less-efficient business is no more "fair" than forcing the marginal company to assume the same labor costs as the industry's giants. And, in terms of economic progress, it is far more dangerous.

"Unforbidden" Fruit

THE Florida Citrus Growers Commission has been learning about human nature the hard way. In its efforts to plug grapefruit as a low-calorie dish, the Commission came up with the slogan, *Grapefruit—the unforbidden fruit.* As any schoolboy could have told them, this didn't work. Consumers didn't know whether they were supposed to eat the fruit or not. For, as the Commission learned, human nature has not changed much since Eve first offered Adam the forbidden apple in the Garden of Eden. We doubt whether *he* would have eaten it if it had been "unforbidden."—M.K.

Revolution in Income Distribution

by George Soule

The more equal sharing of our rapidly growing national income is one of the greatest social revolutions of our time

"One of the great social revolutions of history"—this was the way Dr. Arthur F. Burns characterized the trend toward equality of income distribution from 1929 to 1951. What makes the "social revolution" most dramatic, however, is that it is not the result of taking money from the rich to pay the poor. Rather, it is mainly due to the growth of *total income* combined with increasing opportunity for those in the lower brackets to participate in the fruits of more productive methods.

Dr. Burns, now Chairman of the President's Council of Economic Advisers, was then Director of Research of the National Bureau of Economic Research. In his 1951 annual report to the Bureau, based on income figures calculated by Professor Simon Kuznets, he showed that the highest 5 per cent of income recipients in 1929 received 34 per cent of the total disposable income; but in 1951 only 18 per cent. Their share actually dropped 16 points within twenty years, more than half the distance to complete equality, which would be 5 per cent. (These figures of disposable income include capital gains and are reckoned after payment of taxes.)

Of course, there are also inequalities among the lower 95 per cent. A study by Professor Kuznets of income distribution since World War II indicates that the upper 20 per cent of the families had 40 per cent of the income, and that the lowest 40 per cent received 18 per cent of the income. But there was less inequality after the war than in the 1930s, all the way down the scale. These figures of *family* income did not take

account of income taxes, which would have reduced the disparity.

How did this social revolution come about? The most obvious influence is the shift to high and steeply graduated income taxes. But this factor loses much of its impact when we realize that only a very small percentage of the taxpayers fall in the brackets where high surtaxes are paid, and that these rates are not effective on capital gains, which form a significant share of the top incomes. In the drift toward equality of family incomes indicated by postwar studies, income taxes do not count at all.

Other developments are more important. First is the nearly full employment since 1940, which makes a dramatic difference to the incomes of the formerly unemployed and raises earnings of the employed by reducing layoffs and part-time work. Another is the general increase in wages as national productivity has risen.

Another pervasive, long-term influence is the upgrading of workers as a result of substituting machines and power for the unskilled—the lowest paid and the first to be laid off when times are bad. The ranks of the "pick-and-shovel" men on the roads, in the steel mills and elsewhere have steadily dwindled while the labor force has grown. Automation will further accelerate this trend.

The shift of income distribution toward equality, then, is not a case of robbing Peter to pay Paul but is a result of the technological advance of the nation.

The problem of further equalizing income depends in large measure on increasing productivity in backward areas like the rural regions of the Southeast and in blighted spots left in backwaters of declining or migrating industries. Also, it lies in bringing up with the rest of the nation white-collar groups with little bargaining power, like teachers, retired persons who must live on fixed incomes and so suffer peculiarly from inflation, and older workers who, though still competent to do a good job, are arbitrarily thrust out of the labor market.

Is the approach to equality of income desirable? There are obvious benefits to be derived from it, but there are also possible dangers. Socially, everyone would agree that poverty and want should be abolished. But what of the economic effects?

The growth of a market for the mass-produced articles which occupy a leading position in the

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American economy is clearly dependent not only on the growth of total income but on the decreased inequality in its distribution. More than two-thirds of America's families now own at least one car. Car ownership increases as one goes up the income scale. If the automobile industry is to have a market fed by more than the demand for replacements or the relatively slow growth in population, the number of families which can afford a car must increase, as must the number which can afford two or more.

The effective demand of families for houses is the basis of residential building, which is the biggest single sector of the great building industry. If such an industry found its whole market among the top 1 per cent or even 5 per cent of the income receivers, it would soon exhaust the effective demand.

This is even more true of the wealth of equipment designed to be used in homes. Electrical refrigerators, washing machines and all the rest could not take advantage of the potential market without the growth of ability to pay on the part of more than a few.

New investment, which economists regard as a spur to economic growth, would surely be discouraged without anticipation on the part of the investor that markets for the product would grow.

A RAPIDLY expanding economy, a rise in total national income and an increased share of that total going to the lower and middle brackets seem to be three aspects of a single phenomenon. Which is cause and which is effect would be hard to say. Each seems to be an accompaniment of the other two, at least in our recent experience.

One frequent argument directed against high income tax rates in the upper brackets—which partly account for the trend toward income equalization—is that they reduce both the incentive for risk-taking and the reservoir of new capital which supplies the funds necessary for investment and economic growth. Although many families in the lower brackets save something, others simultaneously get into debt, so that there is no *net* saving in any family income bracket below about $4000.

This situation might be more frightening than it is were it not for the obvious fact that never have new ventures, new products and over-all growth of production been more in evidence than in the recent period when highly progressive income tax rates have been in force.

One explanation of the paradox is that much of the money used for research and development does not pass into individual hands, to be invested by its recipients. Rather, it is used directly by corporations, and counts as an expense before profits are reckoned and dividends are paid. Profits, too, have been large, and corporations have directly invested a substantial part of them in expansion, instead of channeling them into personal income through dividends. The owners of corporations—that is, the stockholders—profit in the end by capital gains rather than by receiving larger disposable incomes year by year. In this sense high personal income taxes may actually stimulate economic growth instead of retarding it.

THE danger is not that limited incomes at the top may curb economic growth in general, but that they may discourage investment in small and new undertakings which cannot tap institutional funds or float stock issues in the markets. In this way, the dominance of big business may be increased. But this is another matter, for which other remedies may have to be found than a halting of the trend toward equality in individual incomes.

A more serious danger is that as incomes rise, people can exercise more choice concerning how much to spend and when to spend it. When about all that the mass of consumers could buy was the food necessary to sustain life and rent and clothing, the flow of consumer spending was remarkably steady. Now that many more than in previous decades can buy automobiles, houses, furniture, television sets and the like, a large share of their income purchases durable goods which need not be replaced weekly, monthly, or even in a span of years.

Although much of the money spent for such goods is first borrowed and then repaid by installment, the effect on the economy is just the same as if in some years the consumers had scrimped and saved their cash and in others had gone on a binge by spending their savings.

In a more real sense, consumers *are* saving to pay for their acquisition of durable goods after they buy these goods instead of before. And certainly the money that they spend for automobiles and houses, is, in the consumer's view, invested. It may even yield a money income or its equivalent. The result to the total economy is on certain levels the same as the result of saving and investment by those who have large incomes.

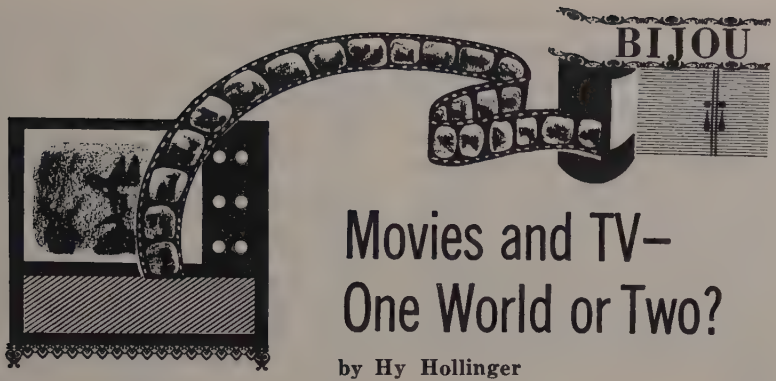
Money saved and invested helps the growth of the economy.

But if at one time more is invested than is saved, while at another more is saved than is invested, the cyclical instability of the economy is aggravated. This is exactly what happened after the outbreak of the Korean war when anticipation of scarcities and higher prices triggered a rush to buy. Later, when urgent demand fell off, business was burdened for several months with excess inventories which it had built up in response to the initial surge of consumer demand.

In 1955 the Federal Reserve authorities were disturbed by the rise of consumer installment debt, one of the most important factors in financing a demand beyond, at least temporarily, the basic capacity of the nation's productive facilities. Perhaps we shall find it necessary to adopt permanently a method of curbing instability of consumer purchase on credit, much as we have adopted a method of checking swings in credit issued for other purposes.

Will the trend toward equality of income distribution continue until complete equality is reached? Ought it to do so? Both questions must be answered in the negative, at least as far as one can see. Nothing closely approaching equality has occurred in the past *except when necessities were so scarce that rationing had to be applied.* Otherwise, equality could be justified only if goods and services were so abundant that there would be far more than enough for all, and to have more than others would be pointless. Aside from these extremes, almost everyone would admit that differences will arise from various needs and circumstances, and that it is desirable to grant some material rewards for superior skill, talents or application.

Cross-section studies of income distribution at a given time, let us remember, yield an incomplete picture; they leave out the experience of a population over a period of years. What is the lifetime income of any individual or group? Are those in the lower brackets persons who are likely to stay there or climb to higher levels? Are top incomes likely to fall? More insight into the broader issues involved must await answers to questions like these. ■



Movies and TV– One World or Two?

by Hy Hollinger

There are strong indications that the film and television industries will ultimately merge, promising better entertainment for the public

THE motion picture industry in the comparatively short period of five years has done a complete about-face in its attitude toward television. The scorn with which the rival new medium was held has disappeared. Instead, television has been embraced by the film makers with such ardor that many observers predict a complete integration of both industries in the near future.

There are already signs of the ultimate plighting of the troth. United Paramount Theaters, the theater company offshoot of Paramount Pictures, has merged with the American Broadcasting Company as American Broadcasting-Paramount Theaters. Paramount Pictures has the controlling interest in the Du Mont TV network, owns a company which manufactures chromatic television tubes, and is the parent company of Telemeter, the subscription TV system.

These are only a few of the indications of the eventual "one world" of motion pictures and television. In addition, several major companies, including such industry giants as Metro-Goldwyn-Mayer, Warner Bros., Twentieth Century-Fox and Columbia, are providing special filmed programs for television viewing. Universal-International, through its subsidiary, United World Films, is operating a thriving business by supplying filmed commercials for television advertisers.

Even more important, the reluctance of the major film com-

panies to sell their old films to television is fast disappearing. RKO recently sold its library of 740 features to a television syndicate for $12,000,000. Warner Bros. will receive approximately $20,000,000 from TV interests for 1,000 pre-1948 films. M-G-M, Paramount, Twentieth Century-Fox, Columbia and others are also listening to offers and have indicated they will sell or rent pictures to TV when the price is right.

To be sure, the change in outlook, although it took only five years, was not an overnight phenomenon. At first, motion picture companies adopted a "hands off" policy towards TV, which they feared as a potential competitor. Besides, theaters were still their primary customers, and they had no wish to antagonize this essential market. The number of TV sets in circulation was few, and the offers made for old films were small. Since experience with the demon in the living room was still too sporadic to determine a specific line of action, the film companies assumed a position of watchful waiting. A few defections in the ranks, notably among smaller companies and independents which sold films to television, raised a loud cry from theater owners, some of whom threatened a boycott against the offenders.

This early period was marked by outright antagonism toward television on the part of the major film companies. They refused to allow their performers to appear on TV. They refused to allow television to beg or borrow clips of old or new films. They even denied television the right to display still photographs of contract performers.

The film industry had another reason for its haughty attitude. Box office returns began to boom again with the introduction of new projection techniques and the recovery of the foreign market. But these happy circumstances did not prevail for long because the entire economic structure of Hollywood was changing. The production-distribution companies, which had been forced by a government consent decree to relinquish their theater affiliates, started to make fewer pictures. They no longer had to service their own theaters. As a result, many Hollywood performers, directors, producers and technicians found themselves "at liberty." These people drifted into the mushrooming films-for-television business, or, in the terminology of *Variety*, the trade paper of show business, the telepix industry.

Hollywood performers thus

Hy Hollinger is a member of the staff of *Variety*, the trade paper of the entertainment world.

started appearing on television, and the TV networks expanded. New stations opened, and new areas became saturated with TV set owners. By January 1, 1955, there were 36,900,000 sets in use nationally. This enlargement of the market provided the networks with huge bankrolls from sponsors. TV dangled fancy salaries and inducements to "name" performers, many of them movie stars. Television also developed its own national personalities, writers, directors and producers.

MEANWHILE, the film industry discovered ways by which it could use the rival medium advantageously. Television, it was found, could serve the motion picture theater as an advertising outlet. While no motion picture company went so far as to sponsor a TV program, the producing companies, in cooperation with local theaters, became buyers of spot announcements.

Since paid spots could draw people out of the living room into the theater, it was reasoned that television could also be employed for free publicity and exploitation purposes. Soon film publicists wooed various shows for plugs on new films. Then scenes from new films were offered for integration in variety and interview shows. Ed Sullivan's salutes to the motion picture industry whetted the publicists' thirst for similar breaks on other programs.

Motion pictures and television soon began borrowing from each other. TV found film stars to be important bait in the battle for listeners and ratings. Similarly, the film industry discovered that television was an important source of new talent and a showcase for potential screen material.

It was, at first, a strange, uneasy coexistence. The film makers flirted, tolerated and cooperated with TV, but they refused to become officially integrated with it. But as TV became a more potent competitor and as box office receipts again showed signs of slipping during 1955, the major producers edged closer and closer toward erasing the line of demarcation.

The most overt plunge came on the heels of Walt Disney's success with his *Disneyland* program. Under arrangement with ABC-TV, Disney provided the network with a weekly filmed show. Although he was paid substantially for this service, he was permitted a portion of the hour program to "sell" his own theatrical films. The box office reception of Disney's "TV-advertised" theatrical films opened the eyes of the major companies. Soon M-G-M, Warner Bros. and Twentieth Century-Fox concluded similar arrangements with the networks.

RKO was the first of the major companies to release its backlog of old feature films to television, and others soon followed suit. As anticipated, exhibitors complained, but privately many of them admitted there was not much that could be done to stop the flow of pictures to television as long as TV was willing to pay fancy prices for vintage films.

EXHIBITORS, however, will not tolerate the sale of *new* feature pictures to television by one of their suppliers. They expressed their sentiments in no uncertain terms when the British-made *Richard III* was offered to television and theaters at the same time. United Artists, anticipating the opposition, refused to handle distribution of the film when it learned that it had been leased to TV for $500,000 as a "spectacular." How the film does in theaters after having been exposed to television viewers will be watched with more than casual interest by industry observers.

At this time, motion pictures and television are so interrelated that it is impossible to discuss one without the other. If the current trend continues, there is a chance that giant entertainment trusts may emerge. Major film companies and television networks already possess diversified holds on various aspects of the amusement field; thus, the development of several competing trusts is not a far-fetched possibility. For example, American Broadcasting-Paramount Theaters, in addition to its television and theater holdings, recently organized a record company. And it is also reportedly seeking Department of Justice approval to enter theatrical production.

From the public's standpoint, what will the eventual alliance of motion pictures and television mean? Will it mean better or poorer entertainment? The public, it is felt, stands to benefit. No matter who controls the two media, the basic battle will still be between the television set at home and the local movie theater. A company involved in providing entertainment for both, although faced with a schizophrenic existence, will be required to provide a product to lure the public into the theater. At the same time, it will have to offer films sufficiently attractive to keep viewers at home and sponsors happy. As usual, the best entertainment should win out. ■

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The City of the Future

AMERICA 1975 SERIES

It will be larger and more decentralized and its suburbs will combine "urbanity" with suburban wholesomeness

by Frederick Gutheim

THE FUTURE economy of the United States may be gauged in terms of production figures, prices, wages and other indices. In essence, these will reflect the changing habits of our people—how they live, what and where they buy, etc. But the reverse is also true. Developments such as the massive drifts of population from the farm to the city and from the city to the suburbs are always affecting the economic environment. For example, more suburbanites mean more commuters, new consuming patterns and more outlying shopping centers.

As a result of the interaction between our economic development and our changing habits, we have become an urban nation, one in which the farm population has declined steadily from its 1935 high of 32 million to 22 million today. The rest of us live in cities, with two families out of three located in the nation's 168 largest metropolitan areas. Now, a new trend is making itself felt. Increasingly, we are becoming a suburban nation as four thousand families a day move to the suburbs. Where are these movements, so fundamental to our economy, taking us? What will be the urban context of our economy in 1975?

The answers demand more than a mere projection of existing trends. It would be unreasonable to assume a steady increase in automobile congestion on city streets. Commuting time, if projected on the record of the past quarter century, would soon reach absurd proportions. Clearly, then, a profile of our future cities will have to

take into account more than trends now visible.

Such a profile will have to recognize the needs of an individual for sunlight, fresh air and exercise. Similarly, the requirements of family living, in terms of housing and community facilities that will strengthen the functions of the family, can be ignored only if we are willing to face a wholesale breakdown of the family as an institution. For cities are not mere instruments of the economy; they are vehicles for civilization itself.

We are today in a period where the nature of cities is undergoing greater change than at any time since the rise of cities in ancient India. On the one hand, the forces of change include such centralizing influences as rapid population increases, the mass employment demands of heavy industry, sanitation and the relative freedom from disease—factors which limited the growth of Athens and most other early cities to the size of Kenosha, Wisconsin.

On the other hand, the forces of change also include decentralizing influences as varied as the widespread availability of electricity, the internal combustion engine and the vulnerability of great urban concentrations to the H-bomb. Depending upon the emphasis put on these aspects of the modern city, we may have such widely separated Utopias as Frank Lloyd Wright's Broadacre City, in which an industrial worker lives on an acre of land and travels by superhighway to his job; or the spacious congestion of LeCorbusier's Ville Radieuse, a skyscraper apartment house which contains a complete shopping and community center on one of the floors. Facing this range of possibilities, what should we choose? Here, certainly, is an area of human conduct in which choice rather than necessity will be the determining factor.

CHOICE—not whim. Choice, because the determining forces of the future city are already well within the realm of influence by public policy. In the United States, for example, the federal government has investments and commitments exceeding 30 billion dollars in metropolitan housing alone. It has already invested a billion dollars in attacking highway problems in urban areas. Other billions are represented by the federal stake in office buildings, post offices, hospitals and other metropolitan facilities whose locations are menaced by

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congestion, blight and shifting population. The recognition of urban vulnerability to nuclear weapons is another reason for the growing federal interest in metropolitan planning.

The way our cities are growing involves two main areas of difficulty. While cities are becoming more congested, there is a steady flight from the city of both the younger, more vital families and of industry. Consequently, assessed values are dropping and many cities face diminishing revenues. Some are fighting a determined battle against these changes, but even the cities which are holding their own realize that the surrounding suburbs are growing faster. As cities spread out they present the second difficulty—the financial inability of suburban communities to stand on their own feet. This is usually evidenced by poor roads and transit conditions, inadequate water and sewer lines, overcrowded schools and the inability of an entire suburb to dig itself out after a snowstorm. Almost every student who has examined all sides of these problems has arrived at the same solution: *metropolitan regional government.*

It is important to realize that the metropolitan city of the future is not just the large city of today with its fringe of suburbs amalgamated into some form of a super-city. It is really a sort of city-state, often embracing large areas of watershed, or linking scattered suburban communities which are separated by open country. Contrasted to city planning, metropolitan regional planning embraces such considerations as the availability of natural resources, water supply, flood plains and scenic and recreational areas. It deals with the peaceful coexistence of town and rural areas, where farming is not necessarily affected adversely by the rise of speculative land values or by the approaching urban fringe. It seeks to organize and integrate the city's public utilities, transportation systems and such government services as education and health.

AMONG the outstanding difficulties metropolitan regional planning has encountered are vested interests which tend to resist any change from the status quo. The interstate character of many metropolitan districts is also a handicap. But the chief obstacle is ignorance.

Consequently, the possibilities of urban decentralization must be shown in specific local terms before they can have much meaning for the average citizen. But once community leaders discover the advantage of planning, and

see how it cuts business risks and safeguards investments in both suburban and central areas, activity to implement these plans should accelerate. Here is how the Council for Metropolitan Regional Organizations, the most representative body in this field, puts it: "Any steps to lessen the risk to business and investment in expanding metropolitan regions must begin by throwing more light upon what is happening there. Beyond that, some governmental measures may become necessary to reduce tax burdens through eliminating governmental duplication and waste, to provide greater stability and direction for growth and to increase the capacity for greater local self-government. A limited beginning has been made in new metropolitan regions, but more must be done both locally and nationally."

To predict that America in 1975 will be a metropolitan America does not mean that it will be dominated by vast, impersonal supergovernments. Certainly, as we advance toward more efficient government of large cities, we shall also find ways to give expression to smaller sectional units of government. The best bet for the future metropolitan area may be a rather loosely federated government.

Too often we forget the importance of the smaller governmental unit—the kind which Thomas Jefferson called a "ward" when he thought about the right kind of government for his native Virginia. We forget that the unification of New York City in 1900 was accomplished only by leaving significant powers in the hands of the five boroughs. Indeed, the reorganization of New York City will not have proceeded far enough until it is appreciated that the city needs not just one competent professional executive but twenty, one for each of the major units into which the city might advantageously be divided. Only such a federated form of government can assure suburban communities that their independent character will be protected.

This pattern seems even more desirable politically and more efficient financially than the pragmatic alternative so often advanced—the proliferation of metropolitan districts concerned only with transportation, water, sewers and other special duties. The division of government by function leads to wasteful duplication and interagency conflicts and to a wasteful erosion of civic responsibility. We must be careful that as our cities grow, they do not become too impersonal. For unless individual political

responsibility is preserved, an urban America may not be a fully democratic America.

If we can create large cities that maintain a human scale, we can have the cultural and economic advantages of bigness without its disastrous consequences upon which many past civilizations have foundered.

These cities will come to resemble urban archipelagoes. Each "island" will have a considerable degree of autonomy and individuality. They may have two entirely different transportation systems, one to use within the community and the other, in this automotive Venice, for longer distances. People will live nearer their work and much of the traveling now necessary will be eliminated. A richer community life, with greater opportunities for personal development and experience, will be possible. The widest choice of types of housing can be offered in each community, as distinguished from the highly stratified and socially brittle communities that are being created today. There should be no sacrifice of metropolitan cultural institutions like symphonies, universities, libraries and museums, but there should be a corresponding and healthy development of these on a community scale. Thus, it is at the level of the individual community within the metropolis as a whole that there is the greatest opportunity for the development of "urbanity"—the character that is lost in the suburban tidal wave that has temporarily engulfed us.

Among today's metropolitan plans, the one that most closely fits American conditions and needs is the so-called "finger plan" of the Danish capital of Copenhagen. Here is a linear metropolis in which a healthy core spreads into a series of suburban communities, separated from each other by natural land forms of rugged hills and tidal inlets which are developed into forests, parks and beaches. There is an effective plan of movement throughout the metropolitan area, an element lacking in the metropolitan London plan, where garden city ideals of the free-standing town can be realized only in job-dictated framework. The British idea of a metropolitan city—a "planetary" scheme of a central city and its satellite towns, has yet to be embraced by any American city (although it is the avowed policy of the Regional Plan Association of New York).

In my judgment, the future of our great cities lies in rationalizing and refining the strong growth lines imposed by various communications systems. ■

The Market of the Future

AMERICA 1975 SERIES

Greater productivity, increased earnings and larger families promise a vastly enlarged market in twenty years

by Sidney Klein

NEVER has the long-range business outlook been as bright as it is presently. By 1975, according to learned prognosticators, Americans will be earning and spending considerably more money than today. They will be buying an increasingly greater number of goods and services, many of which have not yet even been invented. Realizing that the American market will change in structure and character because of this development, many economists are asking such questions as these: Will there be more or less diversity among the products being marketed two decades hence? What new products will be available? Will production suffer because of the growing scarcity of certain raw materials? What new buying habits will arise? In short, just what will the American market be like in 1975?

Based on existing trends, the most obvious—and most important—characteristic of the 1975 market will be its vastly enlarged size. Our population will then approximate 220 million people, 33 per cent above the present level, comprising more than 50 million families who will live, work and spend as a unit. The average family consisting of two or three children will enjoy longer lives, more leisure and a real income of approximately $8,000 which is 45 per cent above the $5,535 earned by the average family today.

Another significant market characteristic is that a greater number of consumers will be in the over-65 age classification. Instead of 12.5 million as at present, there will be 18.5 mil-

lion persons in that category with many of them over 75 years old. As a result of medical progress, less exhausting work and reduced mental tensions, the present life expectancy of men and women may well rise from the present 65 and 70 years respectively, to 80 and 85 years by 1975. In addition to the ordinary needs of food, shelter and clothing, these senior citizens will require such special services as counseling, assistance in housekeeping, nursing and a great deal of medical care. To supply these demands, the economy of 1975 will require more people marketing those services.

This is just one example of the impact tomorrow's world will have on the growth of service industries. Already, the economy is adjusting to expanding needs. The trend of employment has been marked by a shift from agriculture and manufacturing to such distribution and service industries as sales, marketing, teaching and medicine.

The continued increase in productivity which has made possible this shift is also expected to permit a shorter average workweek, perhaps a 30-hour schedule, which compares favorably with the 40 hours worked currently and the 50 hours worked in 1925. Aided by automation, we will produce substantially more goods and services in spite of the decline in working hours. From the present 400-billion-dollar annual rate, experts predict a 1975 gross national product of 650 to 700 billion dollars, in terms of today's purchasing power.

The increases in family income and in GNP will be reflected in the production of more and better homes, a rising output of consumer and business durable goods and far greater utilization of resources than at present.

By 1975, for example, the transportation industries will have expanded tremendously. The monorail and helicopter will have come into popular use. More roads will accommodate a growing number of automobiles —more than 65 million, according to The Twentieth Century Fund, compared to approximately 52 million currently.

This increased mobility will have greatly accelerated the movement to suburbia and exurbia now taking place. Thus, the market of tomorrow will have to supply hundreds of thousands of new private dwellings. In 1941, approximately 45 per cent of the population owned homes; today the proportion is 55 per cent.

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By 1975, perhaps two out of every three Americans will be homeowners.

The typical home, likely a single family structure in the suburbs, will contain a refrigerator, a freezer, a washing machine, at least one television set and a host of other consumer durable goods. With the family living more as a tightly knit unit, the decisions to buy such goods will be group decisions, and sales appeals will have to be directed to all members of the family.

As the population spreads out from urban areas, one result is likely to be a more homogeneous national market. The continuing diversification and decentralization of industry will also tend to reduce regional differences. Already, because of mass production and mass distribution, consumers throughout the U. S. use the same oil burners, smoke the same cigarettes and eat the same frozen foods. This trend will continue as the income gap between poor and wealthy narrows further due to progressive income taxes, higher wages at the lower end of the pay scale and other economic factors.

Importantly, as the workweek shortens and the home becomes more mechanized, the family will enjoy more leisure time for greater cultivation of mutual and individual interests, and the market will have to cater to the enlarged demand for books, tape recorders, movie cameras, art supplies, etc. Outside the home, more people will have time and money to hunt, fish, play golf and travel. These activities will stimulate other areas of the economy.

IT IS significant that this added leisure time may permit some escape from the standardization that often results from mass production.

One reason for this outlook is that people will have time to express their individual tastes in their homes, clothing and hobbies. For example, sales of do-it-yourself equipment can be expected to mount steadily.

How will production techniques affect and be affected by the new markets? Already the desire to share in the expanding American market coupled with the pressures of higher labor costs is contributing to increased research and development activities by private industry seeking to introduce new products and labor-saving equipment and techniques. As a consequence of this development, some of the products that can be expected on the scene in 1975 or before are: comfortable synthetic clothing that is impervious to stains, automo-

biles made of long-wearing plastic, remote-control tractors, tires that will last indefinitely, amazing new medicines, and foods that will be sterilized and preserved indefinitely by nuclear radiation. Farmers will be marketing livestock that has grown fatter and faster on less food due to the increased use of special antibiotics, and they will be harvesting double the present per-acre yields of numerous fruits and grains. Tomatoes the size of pineapples are in prospect.

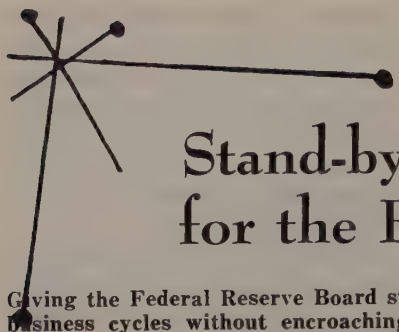
IT SEEMS evident, however, that the high cost of research and of automation will tend to favor the larger, financially powerful corporation and that the market will be served increasingly by bigger supply units.

In 1909, the 200 largest nonfinancial firms owned 33 per cent of all assets of nonfinancial firms in the United States. The proportion is now 60 per cent and it can be expected to rise. This does not necessarily mean that the degree of competition will decrease, since competition does not always depend on the number of firms supplying a market.

Of more concern is the fact that our resources in many important raw materials are running low. However, most scientists believe that we shall be able to keep the economy going in high gear by finding synthetic substitutes or by importing needed supplies from underdeveloped lands. And it may be that by 1975, the sun will be utilized as our major source of power, leading to the growth of entirely new industries making sun-driven equipment.

Happily, indications are that we shall be able to purchase all of the goods that are produced. Because family incomes will be substantially higher than today and because of the growing amount of institutional savings (in such forms as Old Age and Survivors Insurance, private pension funds and group health and life insurance plans), families will spend more and voluntarily save less of their take-home pay in 1975. Consumer durable goods bought on time will, to an increasing extent, represent the voluntary savings of families.

IN VIEW of these prospects, there is little doubt that all America will share in the vastly expanded market of 1975 and that our economic system, already the most productive in human history, will be even stronger in the decades ahead. ■



Stand-by Credit Controls for the Fed?

by William P. Snavely

Giving the Federal Reserve Board stand-by controls might help to mitigate business cycles without encroaching on the principles of free enterprise

PRESIDENT EISENHOWER suggested in his recent Economic Report that the matter of stand-by controls over credit should be seriously considered. He was referring to direct controls, and it is apparent that he had in mind control over consumer credit. This modest suggestion, approved recently by the Joint Congressional Committee on the Economic Report, has stirred up a surprising amount of controversy, and a number of prominent spokesmen have taken positions for and against the proposal.

Among those in sympathy with stand-by controls are Marriner S. Eccles, former chairman of the Board of Governors of the Federal Reserve System; Allan Sproul, president of the Federal Reserve Bank of New York and R. E. McNeill, Jr., president of The Hanover Bank of New York City. Against the establishment of such controls are George H. Humphrey, Secretary of the Treasury; Delos C. Johns, president of the Federal Reserve Bank of St. Louis; and most of the officials of the various consumer credit agencies. With many distinguished people arraigned on each side, the casual follower of the question must wonder whether there is a correct answer.

Chairman William M. Martin of the Board of Governors of the Federal Reserve System does not favor temporary consumer credit controls; but he is unwilling to commit himself on the question of permanent controls in advance of a complete study of the subject as suggested by President Eisenhower. He has gone so far, however, as to admit that had the Federal Reserve possessed such powers in the summer of 1955, it might have used them, since consumer credit was expanding at a disturbingly rapid rate.

Although there cannot be a single position that will satisfy

all who have taken a stand on this issue, there are some significant observations on standby credit controls which can be made. To put these in proper perspective, it will be helpful to glance briefly at the history of our main credit control agency, the Federal Reserve System.

After a string of recurring depressions and financial panics dating back virtually to our nation's birth, Congress finally passed the Federal Reserve Act in 1913. This Act established the Federal Reserve System—a system designed to help stabilize the economy through the use of general credit controls. The initial powers granted to the Federal Reserve were reasonably consistent with a *laissez-faire* philosophy of government, for they provided no specific control over the operation of individual segments of the economy. They merely permitted the establishment of a general credit framework, within which economic forces could act and react freely. Furthermore, the Federal Reserve was set up as a quasi-independent agency, largely removed from political pressures.

However, during the decade after World War I, serious weaknesses in the Federal Reserve became apparent. This agency was supposed to help prevent excessive fluctuations in the economy; yet, it was not equipped to deal adequately with the type of situation that prevailed during the 1927-29 period.

At that time a slight *deflationary* price trend characterized the productive sector of the economy. Clearly an *easy* credit policy was indicated here. At the same time a dangerous *inflationary* price development was taking place in the stock market. In this area, *tight* credit conditions were needed to choke off the overextension of credit for speculative purposes. With only general credit control measures at its command, the Federal Reserve could not cope simultaneously with two different situations. Though some economic readjustments were inevitable in that period, the extent of the stock market boom and subsequent collapse remains a monumental lesson concerning the dangers of inadequate controls over credit. Congress learned from this experience, and in 1934 it gave the Federal Reserve authority to regulate margin requirements (in effect, the down payments) for security purchases—a clear case of locking the barn door after the theft.

The granting of powers to regulate margin requirements represented a definite departure

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from the prevailing credit control concept. A precedent for selective credit controls was thus established.

Control of consumer credit is not unlike control of margins. It, too, is a form of monetary control which is directed at a specific area in the economy, namely, the market for durable consumer goods. Nor is it a new and untried type of selective control. Several times during the past fifteen years Congress has given the Federal Reserve authority, on a temporary basis, to regulate consumer credit *(Regulation W)*. Though in each case consumer credit was significantly restrained, the experiences with *Regulation W* were not completely satisfactory; for it is difficult to establish and to administer this type of control on a temporary basis.

It is too early to tell whether the rapid growth of consumer credit during 1955 will seriously affect the economy in 1956. Even if this proves not to be the case, is it wise to continue to do without stand-by consumer credit controls?

THE power to set the terms of consumer credit is an extremely serious matter. This type of credit has grown enormously in importance over the past decade. From a total of only 5.7 billion dollars at the end of 1945, it reached a total of 36 billion dollars by the end of 1955. Significantly, 6 billion dollars of this increase occurred during a single year, 1955. Obviously, the power to regulate expenditures for consumer goods financed by such a large volume of credit is indeed enormous.

It should be realized, of course, that reasonable levels of consumer credit can contribute effectively to the maintenance of full employment and a high level of production. On the other hand, undue increases in consumer credit can lead to excessive inflation and subsequent recession or depression reactions. Too much consumer credit buys too much of tomorrow today.

The arguments against consumer credit controls fall into three main categories: first, that they would concentrate too much power in the hands of the agency appointed to administer them; second, that such controls could not be timed effectively enough to achieve the results desired; and third, that such controls are discriminatory and violate the principles of our free-enterprise system. Let us consider these arguments one by one.

CAN stand-by consumer-credit controls safely be entrusted to an administrative agency? Unques-

tionably, no agency subject to capricious political or business pressures is fit for this responsibility. In view of its record in handling margin requirements, however, it seems perfectly safe to entrust these additional controls to the Federal Reserve. This agency, removed from the realm of politics, is the natural place for such authority to reside.

The second objection, that of timing difficulties, appears to have no firmer basis than the first. Some individuals simply maintain that monetary control policies in general can contribute nothing to economic stability. An argument upon which these critics rely heavily is that the application of controls cannot be timed with sufficient accuracy to offset serious fluctuations. More extreme critics claim that the impossibility of coordinating monetary control policies with economic conditions would actually result in an accentuation of both deflationary and inflationary price trends.

It is true that the problem of timing monetary policies properly is never simple, but it is by no means insoluble. Inflationary pressures usually develop slowly, so that they can be observed in time to apply restrictive monetary measures.

For example, the Federal Reserve's use of consumer-credit regulations, under the authority granted to it in September 1950, was quite satisfactory. The amount of consumer credit increased by only 400 million dollars during the entire time that *Regulation W* was in effect, from September 1950 to May 1952. This represents a remarkably small increase when compared to the 2.4-billion-dollar increase in consumer credit during the eight-month period preceding September 1950, and with the 4.8-billion-dollar increase during the eight months following the expiration of these controls. By limiting expansion in consumer credit, the Federal Reserve was able to keep inflationary pressures below the levels that would otherwise have been experienced.

Giving the Federal Reserve stand-by controls over consumer credit on a permanent basis should reduce the difficulties involved in achieving effective timing of monetary policies. For example, during the summer and fall of 1955, the rapid expansion of consumer credit appeared to be contributing to the development of potentially dangerous inflationary pressures. The only measures which the Federal Reserve could impose with the powers at its disposal were those which would tend to tighten the general credit atmosphere; but such measures exert only a delayed and somewhat

unpredictable pressure upon consumer credit *per se*. Raising the rediscount rate seemed to be the best action to take under the circumstances, and this rate was raised several times during 1955. In spite of this, the amount of consumer credit increased by 6 billion dollars in this one year. Had the Federal Reserve been able to hit directly the consumer part of the credit market, the results probably would have been much more satisfactory.

THE third objection against stand-by consumer credit controls is that they violate the principles of our free-enterprise system. It is true that each additional set of controls imposed upon the economy represents a further encroachment upon a *laissez-faire* economic philosophy. But unbridled free enterprise can lead to the loss of other values that are deemed important in our capitalistic system. For example, a *laissez-faire* policy permitted the growth of combinations and trusts which, during the late nineteenth century, threatened to undermine competition. To prevent an undue growth of monopoly and the consequent loss of the economic benefits of competition, Congress passed a number of acts designed to limit monopoly developments. This illustrates the fact that some departures from the *laissez-faire* tradition may be needed at times to prevent a dynamic free-enterprise system from behaving in a somewhat self-destructive manner.

Finally, Walter Reuther of the AFL-CIO has criticized stand-by consumer credit controls on the grounds that when imposed, they would tend to discriminate against the lower-income groups which utilize credit extensively in the purchase of durable consumer goods. In a sense this is true. But it must be remembered that they would be imposed only when consumer-credit appeared to be expanding at a rate threatening the stability of the economy. The harm done to lower-income groups by the unemployment resulting from a post-inflation recession would seem to exceed any harm caused by the proper imposition of credit restraints.

The foregoing arguments by no means cover the range of topics that must be considered in any careful study of stand-by credit controls. They do indicate, however, that a strong case can be made in favor of such controls. It is to be hoped that the easing of inflationary pressure for the moment will not induce us to overlook the study suggested by the President. ■

current trends and outlook

Economics in Action

business prospects are brighter than they have been in months, reflecting such major developments as the rise in home building starts and the substantial increase in capital investment

THE slow business decline which began in January has been leveling off and prospects for the rest of the year are extremely favorable with many signs of strength appearing.

There are, however, a few trouble spots. **Automobile production** is running 19 per cent below a year ago while dealers remain overstocked. Substantial declines are also reported in the production of **radio** and **television sets, refrigerators, stoves** and other appliances. And **farm income** continues to slip with no relief immediately in sight. As a result, **farm machinery** manufacturers and others supplying the farm market are clearly feeling the pinch of **falling sales.**

In spite of these developments, there is an unmistakable air of confidence throughout most of the country. A recent survey by the Federal Reserve Board indicates that the vast majority of consumers is highly optimistic about **individual income** prospects as well as business conditions.

Confidence in the business community is also marked. **Home builders,** for example, expect a sizable pick-up from the present rate of 1.2 million nonfarm starts a year to a rate of 1.4 million starts by the end of 1956, according to a recent survey. With the trend being toward larger and more expensive houses, builders anticipate that volume will reach a $17-billion-a-year rate.

There has also been a sharp increase in funds scheduled for **capital expenditures** in industry. Based on current business estimates, the total spent for new plant and equipment may reach $35 billion in 1956, 22 per cent above the 1955 sum.

Another factor underlying our economic growth is the continuous expansion of **government spending.** The federal government already employs 15 per cent of the labor force and purchases $50 billion worth of goods and services from private industry, thus accounting for one-fifth of our **gross national product.** With more money being allocated for **defense, schools, roads, veterans' benefits, atomic research** and numerous **social programs,** the government's role in sustaining the economy will grow throughout the year.

Reflecting the brighter outlook for the economy, the rate of **new incorporations** is running 10 per cent above a year ago, and many businessmen are seeking heavy loans for **expansion,** a development that has led to rising **interest rates** and tougher **credit requirements.** But the Federal Reserve Board continues to follow a tight credit policy, evidence that our economic boom is sufficiently healthy so as not to require any more injections of money at this time. ■

Henry M. Wriston

**President Emeritus, Brown University;
Executive Director, The American Assembly**

The Paltz Studio

Can We Have Both Mass and Quality?

Q DR. WRISTON, *you have devoted your entire working life to the field of education. Would you say that the American emphasis on mass participation in all phases of life, including education, has created a serious problem insofar as quality considerations are concerned?*

A I believe this is a characteristic problem in our society, but it is not necessarily a deficiency. It is merely a characteristic.

Q *Critics of our society have said that our emphasis on mass education tends to dilute quality. Do you agree with that?*

A You cannot combine quality with mass without thinking about it. You have to develop a market for both mass and quality. For example, we have some very fine automobiles, even though we are producing for a mass market. I think the same holds true in many ways in education.

Q *If we were to educate only an elite group, this would not necessarily make for the best kind of education.*

A Of course not. There is no evidence at all historically that the elite who were trained in the aristocratic days were the most qualified. It simply meant that the enormous intellectual resources of the masses were being wasted. Now, if we handle mass education correctly, if we don't level down, but instead search out the highest capacities and then develop those capacities at their own normal pace and to their high-

est levels, then there would be no antithesis between mass education and high quality education.

Q *Dr. Wriston, what has created this problem that you say is a characteristic one?*

A The history of our effort to educate an entire population constitutes a unique experience. The schools were somewhat overwhelmed by it. Unfortunately, we have tended to emphasize the problems more than the opportunities. Furthermore, there is involved in this what I regard as one of the grossest misunderstandings of democracy—that is, many of us think democracy should provide equal training as well as equal opportunity. Such attitudes have tended in recent years to submerge the most capable of those among us.

Q *Is not the averaging out of all capacities a necessary part of determining the level at which mass communication must be pitched?*

A We make some serious mistakes in that connection. For example, toothpaste is toothpaste is toothpaste—if I may paraphase Gertrude Stein's famous poem. Yet, one would suppose that miracles were being performed each month—at least, according to the advertising claims. "Behold, I make all things new, including your teeth!" This is, in a certain sense, contempt for the mass mind. You often get in education the same type of contempt, though unspoken.

Q *How is this contempt expressed?*

A There is the temptation to underestimate the intelligence of our people. For example, the army Alpha Test in the First World War and the Army General Classification Test in the Second War led to such gross statements as this: The average soldier has the mind of a twelve-year-old. Well, there isn't an average soldier in the first place, and there isn't an average twelve-year-old in the second place. So you have two false averages to work with. What such misconceptions hide is that we actually had the most rapidly trained and on the whole the most resourceful and efficient army that was ever built in a like period of time by any civilian society.

Q *In the production of goods, we have quality standards. How does one establish quality standards for human beings in a free society?*

A In the same way that you do in industry. There are very few

governmental or other sanctions as to quality in goods. The test of the market place will tell you how good the quality is. The problem is to give the customers an opportunity to acquire the kind of standards they want. Now, we do much better on that in education than one would suppose. The so-called Pennsylvania study, conducted about fifteen or twenty years ago, followed a group of students all the way through high school and college. And what this study came up with was rather extraordinary—namely, that the good students gravitated to the good colleges and the poor students gravitated to the poor colleges. The only tragedy was that occasionally a first-class student got into a wretched college. In the whole process of mass education, the central problem is how do you get the best student into the institution best adapted to him.

People of high capacity should be identified early

Q *What is the answer to that question?*

A In grammar school and high school, people of high capacity should be identified early in the game and stimulated to go forward. There are all kinds of scholarships now available. What we need to do is to emphasize the selection of high-grade people and then see to it that they have all the freedom in the world to go as far and as fast as they can.

Q *If good students have a natural tendency to be attracted to good universities, then where is the problem?*

A Well, the problem is always there, not because you aren't doing well, but because you can do better. It would be perfectly easy to continue to manufacture a good automobile, but you want to move from one where a man has to move his left foot to one where his left foot can stay idle. And so on. In other words, no matter how good a thing is, you are always, in this kind of a highly competitive society, trying to make it better.

Q *Where does competition in the world of education come in?*

A The educational world is just as fiercely competitive as the business world. We have people with big names in business, and we have them in education. We have people who are fading in business, and we have the same thing in education. We have institutions which

used to be great and which are now a little seedy. We have others which have come up like a rocket. If good students see a place that seems to be progressing, that is where they will want to go. If they see one stuck in the mud, they will avoid it. The element of competition is very real.

Q *Is there anything we can do consciously to encourage the process of making special opportunities available to gifted young people?*

A Yes. One of the things we should do is keep up the constant pressure on the public secondary schools to make room in their curricula for people of talent. They ought not to lay all their emphasis upon the misinterpretation of democracy that I have spoken of. There was a time, you know, when it was said that every failure of a student was a failure of the teacher. This took all the stress off individual initiative. There were many public school systems in the United States that forbade teachers to give the grade of failure. At one time there were at least 150 such school systems. We can reverse such trends by laying emphasis upon qualitative standards. And when we use the word "standards," we must remember that they are not absolute, but individual. They are relative.

Q *What about the teacher shortage? How will this affect our desire to raise standards?*

A There is a great stress now on the shortage of classrooms and the shortage of teachers. But short as compared with what? It is short as compared with utopia. There wasn't any shortage of teachers in a one-room school with nine grades in it. There wasn't any shortage of classrooms when there was a one-room school. The shortage arises from the fact that we have increased our standards. When my father taught school, he had a teacher's certificate, but he had not yet finished high school. He was regarded as an adequate teacher. Today, we don't regard a teacher as adequate until he has at least four years of college. This represents an advance in standards. We should not be arrogant, but we should not be too apologetic either. When you think of the enormous progress that has been made, there is a great historic thrust here. And we should capitalize on that thrust. I think that we should capitalize on our momentum and speed it up rather than forever talk about what is wrong, wrong, wrong. Things aren't wrong. They just aren't good enough.

Q *Dr. Wriston, does our system of mass education help us to find the gifted students, or to lose them?*

A I certainly think it helps us to find them. If everyone goes to school, we have a better chance of finding the most capable students. After you get them in, school should be made interesting and challenging. It must have difficulties. The gifted one will then have an opportunity to use all of his powers. Some students have to be coddled, and others have to be treated roughly. The important point is to give those with the greatest capacity an opportunity to move ahead as quickly as they can.

"Do what comes naturally, seek your own level of excellence"

Q *You believe, then, that democracy is serving its purpose if it gives everyone an opportunity to do his best.*

A Certainly. A democracy is supposed to evoke in a man a desire to be his own best self. Education is its own full justification. If a person never did anything with it at all, it would still be justified. If he saw more birds and heard more music and appreciated life more and found some zest in things, that is plenty. Now, what he does in addition to that in a creative way, instead of in merely an absorptive way, is a pure gain to us.

Q *Don't you feel that some guidance should be applied to students so that they will go into fields which can be of the greatest service to the country? How else could we satisfy our great need for scientists and engineers, for example?*

A Calling for more scientists and technicians on the ground that we need them is not the way to get them. Nor do I think that by merely pointing out what a soft life engineers lead and how well they are paid is a good way to do it. I think what you have to do, the way to approach the problem, is to say, "Lead your life, do what comes naturally, seek your own level of excellence." This will produce scientists. I think it would represent too much guidance if we told people, "Don't go into that field because it is too full, or go into that one because the demand is great." These are adventitious ways of stimulating, and they seem to me to be ephemeral and useless. A career must be something that a man wants to do and enjoys doing.

This may sound utopian, but it is my gospel.

Q *And you feel it would be perfectly democratic to make special efforts and special expenditures on behalf of those who are more capable than others?*

A I think everyone will agree that all people are not equal physically, mentally or otherwise. What democracy is geared to do is to give every person the best opportunity to be as good a person as he can be. The consequence is going to be inequality in the product. This we take for granted. We know that the lark sings better than the crow. Nobody worries about that. Inequality is inherent. Everyone has an inalienable right to life, liberty and the *pursuit* of happiness. We cannot deliver happiness along with the milk that we no longer deliver. But you have the right to pursue it.

Q *Should we try to make that pursuit a little bit easier?*

A We have the obligation to reduce as many of the hazards, traps and unnecessary hardships in that pursuit as we can. We straighten roads, we broaden roads, we bank curves. There are still hills and valleys and rivers to cross, but it is no longer a great obstacle race to drive an automobile, except in the city. Now, this is what we can do in education. We could take away the needless obstacles, the meaningless hazards, and open the roads to people to seek their own goals. In that sense, we are trying for the equality of opportunity.

Q *When it comes to the commodities of industry, we have a market way of evaluating their worth. The market system works fairly well. But will it work as successfully in determining quality differences among individuals?*

A Well, you say the market system works fairly well. My only question is, what works better? There is something of the utopian in all of us, and one of the reasons we are always discontented is that our reach exceeds our grasp. We want to be more worthwhile in the market place. We are all Perry Comos, in a sense, because we are reaching for a star, and this is what gives us the divine discontent—the other side of the drive to be more competitive. As you see, I am an optimist, and all my experiences with students have made me an optimist.

Q *Thank you, Dr. Wriston.* ■

you may want to know...

A CENTER for exchanging information on self-help devices for arthritics has been opened as an offshoot of the Arthritis and Rheumatism Foundation and the Institute of Physical Medicine of New York University. The purpose of the center is to provide mail consultation without charge to arthritis sufferers seeking ideas to give them independence despite their handicap. The Center's address is 400 E. 34th St., New York 16, N. Y.

Cool Car

MANY car-owners neglect the cooling system during the yearly spring check-up. Complete protection includes draining the cooling system, then cleaning it with a reliable cooling system cleanser. As insurance against loss of a coolant, you should add a stop-leak chemical and finally, a combination water pump lubricant and anti-rust compound. It's also wise to have the attendant check the cooling system hose, fan belt, water pump and gaskets to make necessary repairs.

Dental Flaws

WHEN your child reaches the age of 2½, take him to the dentist. Small cavities frequently occur by that time. Make his first appointment for a morning hour, for then he will be rested; later in the day he may be irritable and tired.

Clean Light

A REGULAR soap and water bath for lamps and bulbs is necessary for good lighting. Dirty fixtures cut down lighting as much as 50 per cent.

Packaging Problems

IF YOU have ever had trouble wrapping stemware to send as a wedding gift, or packing a framed picture, the Post Office can

come to your rescue. A Post Office Department leaflet, "Packaging and Wrapping Parcels for Mailing," is available for the asking at any post office.

Sticky Situation

CABINET and dresser drawers often swell during moist, humid weather. A cure for this is to remove the drawers during a dry spell and give two coats of shellac to all inside surfaces. Then coat the bottom of the drawer runners and rails with paraffin or candle wax so that they will slide more freely than ever.

Suited for Men

GRAY, beige and tan will replace charcoal shades in conservative suits. Ivy League styles will be emphasized. This means narrow shoulders, narrow pants legs, three-button jackets with flap pockets. In shoes, open-toed styles may cause a flurry.

Thorny Pest

THE National Better Business Bureau warns householders to be careful about mail-order advertisements urging the purchase of the multiflora rose as a "living fence." The fence may get out of hand and become a thorny pest. The Department of Agriculture recommends the Rose Multiflora only for soil conservation purposes and as cover for wildlife, for one of these shrubs may grow 9 feet high and 9 feet across.

Plastered Plants

GIVE your house plant a good soaking when the soil gets to that stage of near-dryness where it feels slightly moist but is beginning to fall away from the sides of the pot. Occasionally put the pot in the sink and let the plant soak up water. Owners often make the mistake of overwatering, watering without regard to the individual plant needs or dribbling a little water on the soil frequently but never soaking it well.

Dry Run

IF YOU want to find out quickly how a paint will look when it's dry, put a dab on a clean white blotter. The blotter will soak up the solvents and the color patch will appear dry. It will be the same color as the paint will be when it dries.—A.G.

Economic as well as political factors are making old-style colonialism increasingly unprofitable

by Egon Kaskeline

Colonies Are Out of Date

AMONG the most significant happenings in the post World War II period has been the awakening of colonial peoples. No other development has so drastically changed the economic and political map of the world as the downfall of old-style colonialism.

Before the war, more than 800 million people, living on 18 million square miles, were subject to the rule of Great Britain, France, the Netherlands, Portugal, Spain, Japan and Italy. Today, fewer than 150 million people, living within an area of 8 million square miles, are ruled by colonial administrations of those countries. In other words, only 10 per cent of the world's peoples are political dependents, in the old colonial sense, compared with 40 per cent before the war.

Time seems to be running out for colonialism as a political institution. The British Empire, once the world's largest colonial power, is shrinking rapidly. Its African colonies, such as the Gold Coast and Nigeria, are at the threshold of sovereignty and independence within the Commonwealth. Other colonies, like Cyprus, want to secede from the Commonwealth. The French Union is also in a state of dissolution. Having lost Indochina, her Far Eastern outpost, France is rapidly losing control over Algeria, Tunisia and French Morocco.

Conceivably, our times may yet witness the complete end of "the white man's burden"—his assumed civilizing mission among the "backward" nations which are becoming increasingly conscious of their own destinies.

This does not mean that the dominion of a stronger nation over a weaker one will end altogether and that the golden age of peaceful collaboration among peoples is just around the corner. Far from it. Much more subtle forms of political and economic control have been developed. The Soviet Union holds a whip-hand over Poland, Romania, Hungary, Albania and other countries which are sovereign nations in name, but political and economic dependencies of Moscow in fact.

Nevertheless, old-style colonialism *is* vanishing. What is the significance of this trend? Will the progressive secession of overseas territories bring about the economic collapse of the old colonial powers?

Nobody denies that the economic factor has played an important role in colonial expansion since the fifteenth century. Yet, it has by no means been the only driving force behind the conquests of the world powers, for many empire builders knew that in the long run colonies do not always pay.

Strategic considerations have often motivated colonial expansion. Great Britain seized Gibraltar, Malta, Cyprus and Singapore in order to protect her imperial life line against hostile powers threatening her shipping routes. Similarly, Hawaii was built up by the United States as an outpost of American naval powers in the Pacific.

Other dependencies, located in temperate or subtropical zones, have served as territories for the settlement of Europe's surplus population. Millions of adventurous Britons started new lives in the Dominions of Canada, Africa, Australia and New Zealand. Hundreds of thousands of Frenchmen crossed the Mediterranean to make their homes in North Africa.

Insofar as economic factors have been involved in colonial conquest, the record is far from clear. True, overseas territories have been supplying their conquerors with food and raw materials whose low cost of production was generally made possible by the exploitation of cheap native labor. (The term "exploitation" is used with reference to Western standards. By colonial standards, European "exploitation" usually resulted in much higher living standards than had existed previously.)

Nonetheless, it is perfectly possible that Great Britain, the Netherlands and other holders of overseas territories might have prospered as well or better if they had never conquered a single strip of colonial grounds.

Germany is an excellent example of a country that industrial-

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Egon Kaskeline is a regular contributor to CHALLENGE and the *Christian Science Monitor*.

ized with remarkable speed and yet lacked recourse to a large empire. France, which has long depended upon extensive colonial resources, industrialized at a much slower rate.

COLONIAL imports have seldom played a decisive role in Western Europe's industrial growth. Few colonies can deliver basic materials such as coal, iron and copper upon which modern industry depends. More recently, two of the major colonial raw materials imports, rubber and silk, have been replaced with synthetic products. Thus, in spite of the fact that the Allies were cut off from their raw materials sources in the Far East during World War II, military as well as civilian production continued on record levels.

Colonies have, of course, proved themselves profitable markets for the mother country. France and Japan, for example, transformed their empires into "economic reservations" by means of such imperial preference arrangements as lower tariffs, subsidies for colonial enterprises and protection of domestic firms against foreign competition within the controlled territories. India proved an immensely profitable market for England's manufactured goods and capital. Indonesia was a gold mine for the Dutch.

Profitable as these preferential systems may have been for some colonial powers, they also had some dangerous drawbacks. They hampered the growth of certain industries in the motherlands which, due to their sheltered markets in the colonies, did not feel the pressures of world competition and, therefore, neglected to modernize plant, equipment and methods.

IMPERIAL preference policies have also hindered economic growth in colonies which have frequently been prevented from buying and selling at the best prices in the world market and from borrowing money at the cheapest rates.

In more recent years, Europe's colonial ventures have more often than not ended up in the red. The exceedingly high cost of colonial development, administration and defense frequently outweigh commercial advantages. During the post World War II period, European investments (government and private) in Africa, south of the Sahara, totaled more than 4 billion dollars. It seems doubtful that the investors will ever receive the benefits normally associated with such large-scale outlays.

For one thing, nationalist movements are gaining momentum everywhere, from Cyprus to the heart of Africa. The risks of colonial investment mount steadily

with the tide of anti-European (often anti-white) agitations. It is known that colonial peoples, after having liberated themselves from foreign control, more likely than not will discriminate against the business activities of their former overlords.

Certainly, the cost of suppressing native uprisings is a heavy drain on national treasuries. France, for instance, probably spent more money during the recent seven-year colonial war in Indochina than she could have ever hoped to earn from her large capital investments there.

It has been demonstrated that the loss of some of the world's richest colonies will not cause the ruin of European colonial powers. Today, Western Europe is more prosperous than ever before, in spite of the fact that she has fewer colonies. Thus, the Dutch who were ousted from Indonesia, where they had invested nearly one-fourth of their national wealth, are now enjoying an economic upswing with national income almost twice as high as it was before the war.

Significantly, loss of a colony as a political dependency does not always mean that economic relations with the former motherland are severed. India and Pakistan gained independence from the British in 1947. Today, British trade with these two nations is actually 25 per cent higher than before the war.

It should be realized that the effects of colonization have not been, as is frequently thought, entirely evil. In a number of instances, nations would not have been ready for independence without a prior period of colonization. Furthermore, colonial expansion has been a decisive factor in bringing the West's industrial dynamism and technical know-how to the more static civilizations of the "backward" continents. This contact has had far-reaching benefits in every field of human activity throughout the world—oftentimes at the great expense of the colonial powers which, in the long run, have found their colonial ventures to be unprofitable operations. ■

LAGER-LOVERS may dissent, but for New York state tax purposes, any fermented malt drink containing ½ of 1 per cent of alcohol is "beer."

Recent years have witnessed remarkable economic progress in Puerto Rico, with hundreds of stateside firms investing millions in local industries

by Renée Little

The Puerto Rico Story

THE Caribbean Commonwealth of Puerto Rico has underway a manufacturing movement that is attracting to the island an increasing number of stateside corporations. A vast variety of products, including pens, electric shavers, aircraft parts, optical equipment, shoes, chemicals and electronic components are being manufactured. Leading firms such as General Electric, Remington Rand, U. S. Rubber and Gulf Oil have established branch plants on the island in recent years.

During the last eight years more than 350 new manufacturing enterprises have set up shop. Because of this development, authorities estimate that in 1956 Puerto Rico's manufacturing income will top agricultural revenue for the first time in her history—a significant milestone on the road to an industrial economy.

Back in 1940, when sugar production was the mainstay of the economy, Puerto Rico was little more than a subtropical wasteland. The island, half the size of New Jersey, struggled under such handicaps as a scarcity of land resources, a lack of investment capital, inadequate power and water systems, and a dearth of skilled workers and managers. Wartime shortages aggravated this situation.

What happened subsequently is an impressive story of progress in the battle against poverty. Since 1940, per capita real income has nearly doubled; the death rate has been cut by more than half (down to 8.1 per 1,000); and average life expectancy has risen from

46 to 64 years. As a result, the hope, morale and self-confidence of the population have been lifted out of a morass of apathy and despair.

The current boom really began in 1946 when the Puerto Rico Industrial Development Company (PRIDCO), first established by the government in 1942, exerted strenuous efforts to recruit private capital for investment from the U. S. mainland. To this end, the island authorities with the consent of Congress offered investors exemptions from certain taxes. In addition, PRIDCO took steps to increase supplies of water and electric power, to help overcome problems of personnel selection, and to provide data on production costs, markets, housing and local legislation.

As a result of these efforts, stateside businessmen started going over to investigate for themselves the island's money-making possibilities.

The movement was accelerated in 1950; Puerto Rico attained self-government in its internal affairs when Congress accorded the island Commonwealth status. This permitted Puerto Ricans to elect their own governor under the democratic provisions of their own modern Constitution.

Renee Little writes this article from her vantage-point as a resident of Miami, Florida.

Unlike statehood, which would make the island subject to federal taxes, and unlike independence, which would cause the island to lose free access to the markets of the mainland, Commonwealth status has enabled Puerto Rico to benefit from stateside commerce without any responsibility to meet tax obligations.

Under the first democratically elected governor, Luis Munoz-Marin, the new regime took added measures to attract outside capital. In 1954, the Commonwealth offered eligible firms complete exemption from income taxes as well as from most municipal taxes for a ten-year period. Earlier exemptions had been less generous.

Furthermore, newcomers were offered long-term loans at moderate cost, industrial space in government-constructed buildings at favorable terms and technical assistance in every phase of management. Vocational schools to train skilled workers were established.

At present, the expansion is in full swing. Road, harbor and airfield facilities are being improved daily to satisfy the demand for additional transportation facilities. An example of this development is Isla Verde, a recently completed 15-million-dollar airport. A look in its cargo area reveals such incoming loads as electronic parts, shoe fabrics, chemicals and unfinished needle-

work. Outgoing loads include television and radio sets, small leather goods, shoes, completed needlework and other finished products that have been converted from raw materials supplied from the mainland. Medicines, cosmetics, meats and other imports are also flown into the Commonwealth, while items indigenous to the island such as cut flowers, tropical fruits and art objects are shipped, largely by air, to expanding markets on the continent.

THE advantages of this tremendous industrial expansion have not been limited to business interests. Most of the island's 2,229,500 population have benefited directly.

Minimum wages have been boosted from five cents an hour in 1940 to an average of 57.6 cents currently. "We have a flexible minimum wage system," explains Fernando S. Berdecia, Secretary of Labor for Puerto Rico, "that is based on a study of what each industry will bear. We are not trying to keep wages down but are in favor of continuing upward revision of minimum wages consistent with enabling industry to remain in business."

The Commonwealth also establishes minimum standards of safety and sanitation as well as regulations for employment of minors, and it extends guarantees to labor, including the right to organize and bargain collectively.

Living conditions have improved, too, thanks to a realistic low-cost housing program. Modern three-story apartment buildings are replacing thousands of shabby lean-to shacks. The calcium-and-protein-deficient diet of most of the population is being supplemented with more nourishing foods as the expansion of commercial storage facilities permits increased imports of meats and other perishables from the U. S. mainland and from Canada.

There is still a long way to go before living conditions will be considered adequate by stateside standards. Nonetheless, prospects for Puerto Rico are brighter than ever before. There is every likelihood that the Commonwealth's present goal—to slash the 15 per cent unemployment rate and, by 1960, to attain a level of production sufficient to provide most families with the essentials of life—may be reached ahead of schedule. ■

Take It Easy

ACCIDENTS around the home caused some 27,000 deaths in the United States in 1955—nearly 30 per cent of the total accident mortality.

Long-term economic trends are undermining the practice of establishing minimum retail prices by manufacturers

Fair Trade's Losing Battle

by Marvin Frankel

DURING the past few years, the status of fair-trade laws has been in flux. At the end of 1953, these laws, which give manufacturers the right to fix the retail prices of their products, were operative in forty-three states. Since that time, diverse legal obstacles have reduced the number of fair-trade states to thirty-four. In some instances, the courts have declared such laws unconstitutional. In others, the courts have declared that the manufacturer's enforcement rights apply only to those with whom he has contractual agreements. With partisans and opponents of the laws still battling in the courts and legislatures, further changes are in the making.

Fair trade has been weakened by the abandonment of fair-trade practices by large manufacturers like Westinghouse and Sheaffer Pen. After much experience with fair trade, these firms have abandoned attempts to enforce price minimums on their products.

To some extent, these policy reversals have been due to the shifting, uncertain legal situation. But that is only part of the explanation. It is of greater significance that the movement away from fair trade is symptomatic of deeper trends in the patterns of distribution and pricing.

First of all, there is the ever-increasing application in industry of the principles of mass production and product standardization. Every improvement in the methods of mass production implies a reduction in cost, which, under competitive conditions, generally results in a downward pressure on prices. Increased product uniformity simplifies the consumer's job of selection and diminishes the need for intervening middlemen and elaborate sales facilities. The result is a tendency toward shorter distribution channels and narrower price margins.

Another practice undermining fair trade is national advertising and the branding by manufac-

turers of their products, a practice which has grown steadily. Branding aids the ready identification of products and clarifies the consumer's problems of choice. National advertising helps to "pre-sell" the product and tends to do away with many traditional functions of the retailer. Both factors make it likely, and increasingly so in recent years, that the prospective purchaser will have decided what to buy before ever approaching the retail outlet. The net effect, then, is similar to that of standardization and mass production: the consumer requires less from the retailer, wants less from him and is inclined to pay him less for his services.

The rise of new forms of merchandising like the discount house and the supermarket, along with the growth of mail-order selling, represents a third important trend. The great gains made by these techniques of distribution during the past decade have been prompted, in large part, by the needlessly high retail margins and unnecessarily lengthy and elaborate distribution channels.

Such basic economic trends undermine laws which seek to fix prices at levels higher than modern distribution methods require. Though the demise of fair trade is ostensibly a legal phenomenon, the basic trouble is that its objectives run counter to economic pressures. This leaves us with the question of whether fair-trade pricing will be able to continue on an effective basis. If not, what will be the probable consequences?

In trying to answer this question, it is helpful to recall briefly that the concept of fair-trade legislation is not new, although the state laws in their present form are of comparatively recent vintage. They were conceived early in the Thirties, amidst deep depression, and were directed against the intense price-cutting then prevalent. Between 1935 and 1937 the state laws, greatly aided by federal legislation, took firm and widespread hold. Henceforth, for almost a decade and a half, fair-trade policies remained strong and buoyant.

THE first major setback came with the widely publicized price war in the spring of 1951, following a U. S. Supreme Court decision which temporarily invalidated the strategic nonsigner clause in the federal fair trade law (Miller-Tydings Act of 1937). This clause was important because it required all retailers, regardless of whether they had signed

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a price maintenance contract with the manufacturer, to observe his minimum resale prices. As a result, many people believed that the Court action caused the price war, and to a limited extent it did. Two other factors of equal or greater significance were: unduly large inventories in the hands of retailers, liquidation of which was bound to involve heavy price competition; and a rising volume of business by discount houses.

But all of these factors were of secondary importance in bringing about the price war. Of greater significance were the long-run trends already described, which at this time were beginning to make themselves felt strongly.

BUT why is it that these trends have become evident only in the past few years? Why didn't they disrupt the tranquility of the marketing scene in the late Thirties or shortly after World War II? There are a number of reasons. Mass production of standardized goods, branding and national advertising were not as strong then as they are now, and the types of retail outlets that derive much of their strength from these institutions were less well-developed. In addition, the public was less active in purchasing durable goods, and it is in durable goods that fair trade traditionally holds much of its strength.

But the main part of the explanation lies in movements of the general price level. As the economy shifted from depression into wartime inflation and then into postwar prosperity, prices pushed constantly upward. This movement helped to conceal basic changes in distribution patterns; serious price competition could not appear until inflationary pressures had subsided somewhat. The upward movement of prices also produced illusions about the efficacy of the fair-trade laws. Many observers attributed the absence of widespread pricecutting to them, whereas, in fact, the laws had not yet been put to a real test.

Today, the plight of the fair trade laws is acute. Although these laws are still intact in two-thirds of the states, there is no certainty that they will remain that way for long. Violations are frequent and widespread. Indeed, they are virtually inevitable except under the most favorable conditions, since responsibility for enforcement rests not with the states or the federal government, but depends upon the diligence of manufacturers and retailers in reporting and prosecuting infringements. The mechanism is loose and cumbersome and, at best, only sporadically effective.

Does it follow that fair trade

is on the way out? We cannot say with certainty, though an assessment of the evidence and a weighing of probabilities points to its further weakening. The trends at work altering our distribution methods reflect basic technological and organizational developments which are not compatible with fair-trade laws as they presently operate. To the extent that these trends move forward, fair trade must give way.

A means of strengthening fair trade might be thought to lie in tighter enforcement of the laws, where those laws still exist. But, as noted earlier, the enforcement mechanism is inherently weak. When violations are comparatively few—that is, when it matters little whether enforcement action is taken—manufacturers can fairly easily hold their price structures intact. But as violations become widespread, the ability to enforce effectively declines sharply. At the same time, manufacturers' incentive to enforce diminishes, both because legal action on a large scale is costly and because it is well-nigh impossible to enforce uniformly against all violators. It diminishes also because of the effects of enforcement on sales. Price cuts mean large volume, and enforcement against price-cutters often means a loss to the manufacturer of some of his best customers.

These facts of economic life have an effect at the judicial level. Though the courts may strive for objectivity and seek to base their decisions on the letter of the law, they necessarily are influenced by the practices and mores predominating in the business world. The more numerous the violations of fair-trade prices and the less successful the policing attempts by manufacturers, the more likely is it that the courts will re-examine the purpose of the fair-trade laws and reinterpret them in a manner consistent with actual conditions. Many of the recent legal decisions adverse to fair trade are not unrelated to operational failures.

To SUMMARIZE, the process of breakdown is cumulative. The weaker fair trade becomes in practice, the weaker becomes its enforcement mechanism and, in turn, its legal underpinnings. Barring a renewal of strong inflationary pressures or some unforeseen action by Congress, it is highly probable that the strength of fair trade will deteriorate further.

Given this outcome, what consequences must be faced? Does it mean low, competitive prices, possibly even cutthroat competition, instead of "fair" prices? It goes without saying that competition does not always ensure prices that are fair to all. Competitive prices

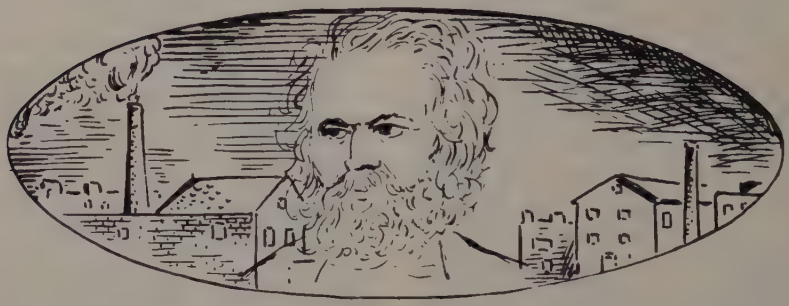
may be unfair, just as fair prices may be uncompetitive. When, for example, demand declines in an industry where labor and other resources are highly specialized and not easily transferable, competition among producers may result in prices that are unduly low. The experience of the coal industry in years past is a case in point. By contrast, competition plays a minimal role in utility rate-making, yet the resulting prices may be moderate in terms of both consumers' and producers' interests.

BUT IT by no means follows that without fair-trade laws prices must be excessively and unfairly low. Most commodities, including most branded commodities, have never been subject to fair-trade pricing. Yet, it cannot be said that their prices are chronically low or insufficient to afford a legitimate return to sellers. Moreover, where prices are allowed to move freely in response to economic forces, the problem of price-cutting is much less serious than where attempts are made to fix them at artificial levels. We must remember also that where prices are in a real sense unfair, as when a seller arbitrarily discriminates among buyers or drops prices temporarily to drive a competitor out of business, remedy is available in the antitrust laws.

From another point of view, the issue of fair-versus-unfair prices is really beside the point. The trends undermining fair trade indicate the availability of cheaper and more effective methods in distribution and are a signal to sellers to get in line with the times by modifying their practices. The community deserves to benefit from these methods just as it does from technological change and from such earlier marketing innovations as the department store and mail-order selling. The need is not for efforts to preserve anachronistic laws but for a constructive adjustment to changing times. ■

Answers to True-False Quiz

(1) True *(see page 38)*
(2) False *(see page 54)*
(3) True *(see page 15)*
(4) True *(see page 24)*
(5) True *(see page 45)*
(6) True *(see page 20)*
(7) False *(see page 42)*
(8) False *(see page 11)*
(9) True *(see page 59)*
(10) False *(see page 30)*
(11) True *(see page 6)*
(12) False *(see page 50)*



Marx's Socialist Interpreters

Capitalism refuses to behave the way Karl Marx said it would, causing even Marxists to disagree on how socialism is to be brought about

FROM 1870 to about 1890 Marx was the unchallenged prophet of the socialist movement. In one country after another the various types of socialist theory gave way before the onslaught of Marxism. By the time Marx died in 1883, he was universally regarded—by socialists and non-socialists alike—as the spokesman for socialism.

The reasons for this are many. While the intellectual brilliance of both Marx and his collaborator, Friedrich Engels, no doubt helped spread the Marxist gospel, a more decisive factor was the economic and political condition of Europe in the 1870s and 1880s. Prices were falling and so were profits. Unemployment was an ever-present danger, and industrial conflicts seemed to become more frequent and bitter with each passing year. Marx's theory of the increasing misery of the working classes seemed to be borne out by the history of the times. Small wonder that thousands of workers felt Marx had painted a true picture of life under capitalism.

In the 1890s however, things began to improve. During the two and one-half decades preceding World War I, Europe experienced an unprecedented degree of prosperity. Prices and profits rose, and the worker's lot improved noticeably.

In view of this new prosperity, it is not too surprising that many

socialists found it increasingly difficult to square Marx's gloomy forecasts with the cheerful picture of the day. It must be remembered that Marx's economic theories were closely tied to a political program involving the violent overthrow of capitalist society. As long as it seemed that Marx had been right in asserting that the workers were doomed to ever-increasing misery, most socialists were willing to go along with Marx on the necessity for violence. But when it became apparent that capitalism had not outlived its usefulness, many socialists began to question the need for violence. Socialism, these "revisionists" believed, could be brought about peacefully through parliamentary reform.

The talented German socialist Edouard Bernstein is perhaps the best spokesman for this graceful approach, which still characterizes the Social Democratic parties of France and Germany today. Although he had once been a follower of Engels, Bernstein was essentially a man of action who had little patience with theories that could not be put to work. And, looking at the unquestioned prosperity of capitalist society during this period, Bernstein concluded that Marx's analysis of capitalism had been wrong in a number of important respects. In the first place, Bernstein saw no evidence of the inevitable downfall of capitalism as predicted by Marx. Crises were not inevitable, and the possibilities for economic expansion under capitalism were, he believed, unlimited. Rejecting Marx's theory of surplus value as well as his materialist interpretation of history, Bernstein argued that capitalism was in fact becoming stronger, not weaker.

Socialist movements, Bernstein contended, must acknowledge this resilience in capitalism and develop their programs accordingly. They should advocate socialism as a morally superior and perhaps more efficient way of organizing production rather than as the inevitable outcome of historical processes. Only in this way could they hope to create a socialist society.

Meanwhile, other socialists were pressing the attack against various aspects of Marxian theory. A Russian socialist who, unlike Bernstein, had never been a Marxist, Michael Tugan-Baranovsky, took issue with Marx on the cause of crises under capitalism. Marx had contended that as capital accumulates in fewer and fewer hands, there is a growing gap between what is produced and what can be consumed. In the short run, according to Marx, this

This is the fourteenth article of a series in CHALLENGE dealing with the economic development of Man.

underconsumption gives rise to periodic crises which will eventually lead to the downfall of capitalism. Tugan, however, insisted that it was not underconsumption which led to crises but the disproportion within the productive process. To cite one example, because of a lack of planning too many shoes might be produced and not enough hats.

This notion of disproportionality, or lack of planning, exerted a powerful influence on "revisionist" socialists like Bernstein who seized on it as justification for their position that socialism could be introduced gradually. Capitalism need only learn to plan, to establish proper proportions in production, in order to stave off crises. The task of the socialists was to work for economic reforms that would help capitalism to "grow" into socialism. From this kind of reasoning came the famous socialist slogan "the goal (socialism) is nothing; the movement is everything."

As the First World War approached, even the "movement" appeared to take second place to nationalism. Under the leadership of Karl Kautsky, who was perhaps the leading socialist scholar of the period, the "Second International" (the organization of various socialist organizations) called upon all socialists to oppose the war as a struggle for profits among the capitalists. But when the war finally came, nationalistic fervor proved too strong to resist, and the various socialist parties, with the exception of the Russian Bolsheviks and a few others, supported their own country.

The success of the Bolsheviks in bringing "socialism" to Russia was another factor contributing to the crisis in Western European socialism during this period. For one thing, it seemed to disprove Marx's prediction that socialism would come first to highly developed capitalist countries such as England. Russia had barely begun to industrialize when Lenin seized power for the Bolsheviks. Obviously, very different tactics would have to be applied in such a backward country, and Lenin developed a program which was unacceptable to many socialists in Western Europe.

The result of these divisions within socialist ranks was particularly marked in Germany. Here the German Socialist party split into three camps. The right wing, led by Bernstein, opposed all revolutionary programs. The center, led by Kautsky, continued to accept the orthodox Marxian position on the class struggle and the growing misery of the working classes; but he tended more and more to reject

the idea of armed revolution. But the leftists, led by Rosa Luxemburg, accepted the Bolshevik position of class struggle and armed social revolution. The debate among these socialist groups became increasingly bitter, with Lenin calling Kautsky a "renegade" and—horror of horrors—"common or garden-variety liberal." Kautsky and his followers replied in kind.

FOR nonsocialists these debates are not especially interesting. We need only note that the various types of socialist and communist movements around the world still reflect these bitter disputes. The Communists, of course, follow Lenin. Most of the Western European socialists are revisionists, half Bernsteinite and half Kautskyist, who are committed to the peaceful and gradual introduction of socialism through legislative action and through the labor union movement. The only major exception is the Italian Socialist party under Pietro Nenni, which is closer to the Communist-Leninist position than the other socialist parties.

The British Labor party is in a class by itself. This movement —or most of it—is in the Fabian tradition. The Fabians, who could number among them such world renowned figures as the playwright George Bernard Shaw and the reformers Sidney and Beatrice Webb, consider socialism as a worthy ideal to be won through education rather than class warfare. In their economic theory, the Fabians (and most of the Labor party) reject Marx, drawing instead upon various other economists such as William Stanley Jevons, whom we shall meet in a future article. Only a very few Labor party left wingers, such as Aneurin Bevan, appear to have been influenced by Marx at all.

Actually, the split within socialist ranks is symptomatic of Marx's failure to anticipate fundamental changes in the structure of capitalist society. In their attempt to justify socialism in terms of the new capitalism (so different from what Marx had imagined) of the past fifty years, socialists have been forced to "interpret" and "reinterpret" Marx. In doing so, they have been forced, however unwillingly, to acknowledge economic changes in capitalism that nonsocialist economists have been studying for more than half a century. ■

NEXT MONTH: The concept of marginal utility is used to explain the process of exchange under competition

New Concepts in Employee Stock Ownership Plans

Managements seek a community of interests by encouraging employee stock purchases and try to avoid pitfalls that once ruined such programs

by Sam Shulsky

MORE THAN 300 American corporations—including many of the nation's largest—are facilitating purchase of their stocks by more than 2 million employees. Billions of dollars in workmen's savings are already so invested and the total keeps increasing.

Management's purpose in encouraging stock ownership by employees is clearly to make labor more capitalist-minded. Stock ownership is expected to increase self-identification of the worker with his company by encouraging a feeling of part-ownership. It should also induce greater employee interest in his company by giving him more insight into its affairs than is enjoyed by the employee without stock or by the outside shareholder. Management further expects employee stock ownership plans to encourage regular saving habits, to reduce labor turnover and to broaden the base of corporate ownership.

From the worker's point of view, the purpose of these plans is obviously to profit both from possible increases in stock prices and from dividends that are usually higher than U. S. savings bonds or savings bank interest rates.

Such plans which appear to work for the mutual benefit of labor and management might seem so perfect that critical discussion is unnecessary. Nevertheless, an inquiry is in order. No financial program can be pursued without constantly making adjustments and revisions. And no employee stock purchase plan can operate successfully without considering the fatal mistakes which brought such plans to disaster in the past.

For surprising as it may seem, the employee stock purchase idea was once before at least as widely accepted as it is today.

Some plans date back to 1900 and earlier. But it was in the high-flying Twenties that the

idea of making every worker a part-time capitalist spread like wildfire. Since that was not a period of the most cautious financial planning, it should be no surprise that thousands of workers —without giving the slightest thought to the basic aims of stock ownership programs—jumped at the illusory chance to get rich quick.

Now, a great deal has been written of the millionaires who were wiped out in the stock market crash, but comparatively little attention has been paid to the thousands of workers who not only saw their stocks plummet in value along with their wages, but found themselves caught in a continuing stock purchase contract. For example, employees of a leading eastern railroad, long after the bubble had burst, found themselves putting aside $10 a week to buy a stock, contracted for at $130 a share, that was selling at $6.50 a share! Hundreds of employees of a large New York City bank had agreed to a long-term installment purchase of 50,000 shares at $200 a share. When the stock fell to $19 a share, they were still paying the higher price, with installments being deducted from reduced wages. Many quit their jobs to escape the commitment. Instead of making friends, management had succeeded only in further alienating workers already up in arms over wage cuts. As a result, more than 75 per cent of the stock ownership plans were abandoned in the Depression decade. In many cases, they were never revived. U. S. Steel, one of the first to set up such a program back in 1903, dropped it in 1935 and today shows no signs of ever going back to it.

However, to condemn employee stock ownership schemes because of their many failures during the Depression would be as foolish as to condemn stock ownership in general because of the wild speculation which resulted in the crash. Companies which have recently resumed or instituted employee stock purchase plans have done so with the lessons of the Thirties well in mind.

FIRST, they have generally set limits of 10 per cent of annual salaries on employee purchases; second, new programs are on a pay-as-you-go basis and do not involve heavy advance commitments; third, many schemes are tied up with the simultaneous purchase of government bonds for purposes of stability. General Motors, for example, contributes 50 cents for every $1 put into the

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plan by 100,000 workers. Two-thirds of the proceeds go into GM stock with the balance going into U. S. bonds. Du Pont is even more conservative. The 73,000 employee members of its plan buy $1 in government bonds for every 25 cents' worth of Du Pont stock. In addition, many plans offer "out" clauses so that employees may withdraw at certain periods should stock purchasing become unprofitable.

Above all, there is practically none of the get-rich-quick attitude which prevailed thirty years ago. On the contrary, workers are cautioned constantly that stock ownership involves risk.

This cautiousness is interesting because some of the same factors that facilitated the acceptance of stock purchase plans in the Twenties operate today. The payroll program for buying government bonds has accustomed workers to investment deductions from their wage envelopes. (A generation ago it was the wide ownership of Liberty bonds that first brought wide acceptance of securities ownership.) Now, as then, savings abilities have been enhanced by more than fifteen years of prosperity, with constantly rising wages and living standards. Also, we again have a bull market of seven years' duration—a fact that appears to make investment know-how as superfluous as automobile running boards.

However, since *no one* knows what the market will do in the future, one basic fact must be kept in mind—namely, that an employee stock purchase plan can be "successful" *only* in a steady or rising market, or *only* if the plan has been in effect during a long enough rise to build up a profit cushion large enough to outweigh a substantial loss in market values. The term "successful" is used from the point of view of attaining the plan's original goals—to win employee friendship for management and to gain profits for labor. The first, of course, cannot be had without the second because the worker is not interested in share ownership to demonstrate loyalty to a company to which he already devotes most of his day. Nor can he be expected to transfer his allegiance from the ranks of labor and consider himself a capitalist when only a very small portion of his income comes from stocks. Essentially, the worker considers his share ownership primarily as a means of supplementing his savings and income, no matter what broad social or psychological purposes may be motivating his employer.

As mentioned before, the value of a stock purchase program de-

pends on the trend of the stock market. Illustrating this is a study made by a conservative Wall Street investment house, dated August 16, 1930, when many experts thought the worst of the crash was past. The bankers found: "Despite the severe test of the stock market break, employee stock ownership plans have suffered no setback, but on the contrary, appear to have gained the increased confidence of employee stock owners."

The report added that the ability of these plans to withstand stock price declines reflected the fact that stocks were commonly sold to employees substantially below the market price.

But three years later, when the world knew that 1930 had not seen the bottom (and when market prices were well below the prices at which stock had been sold to employees), Princeton University researchers found a far different picture:

"The general conclusion that few plans have been successful seems evident. . . . It is essential to the future development of sound industrial relations policy that the strict limitations upon the use of employee stock ownership be recognized. Even at this time it is a safe conclusion that both employers and employees have lost more from the movement as a whole than has been gained in improved morale and dollars saved.

"The possible losses from stock market declines are . . . of course, enormous. They are greatly increased, in the case of employee investors, by the fact that at the same time that security prices have fallen most rapidly, layoffs, part-time employment and lower wage rates have made it necessary for many to draw upon their savings."

BUT even today's prosperity has not solved all the problems indigenous to stock purchase plans.

First, all workers do not have the same investment problems, and certainly the shares of any given company do not solve the investment problems of all its workers. A widow working for American Telephone & Telegraph could do little better with her funds than invest in A. T. & T. shares. But a young, unmarried linesman could, in all good conscience, be urged to invest in a company with greater growth potential, even if this involved greater risk.

Second, an employee-investor who enjoys higher wages and higher dividends in boom times could, conversely, be hit twice as hard in a declining economy; whereas, if his funds were in government bonds or in a savings bank, the interest would have in-

creased purchasing power.

Third, employee-owned stock is likely to be management-controlled stock since the individual employee is hardly in the position to resist management requests for proxies. This is a handy device for entrenching and perpetuating management.

Fourth, the share-owning employee may feel tied to his company and may hesitate to accept other employment if the move means endangering his privileges to buy stock in a rising market.

Fifth, if a strong union should rally a substantial number of employee shares, management could find itself headed for trouble.

Finally, to the extent that the corporation contributes to the employee purchase program (or allows him to back out if the deal becomes disadvantageous) outside shareholders foot the bill. Bonus payments are proper, expected and effective at the time they are earned and paid. In times of poor business, however, not only may the share-buying program be discontinued, but the value of the worker's past investment will be seriously impaired. Thus, the outside shareholder, who was sold on giving up some of his income in return for enhanced worker loyalty, will suffer from the worker's discontent when the latter sees his hard-earned stake melt.

In spite of these problems that are always with us, stock purchase plans have been overwhelmingly successful in the last twelve to fifteen years. This reflects the continued growth of the economy and the rising stock market, as well as the safeguards incorporated in the plans which have set up defenses against a reversal of the economic tides.

Despite fears of what reversals in the future may bring, employee stock ownership plans remain a peculiarly American bit of nose-thumbing at the Old World's rigid class setup. Conceivably, these programs may be, as many union leaders have implied, a threat to labor's identity and militancy. But they are surely here to stay and, perhaps, to spread. They may yet narrow the differences between employer and employee so that both will have a greater incentive to produce more, and thus raise the living standards of all the American people. ■

It Ain't Hay

IT IS ESTIMATED that the nation's two major political parties will spend more than $200,000,000—approximately $3.30 per voter—on this year's election campaign.

The life-and-death problem that plagues millions—

by Marion L. Briggs

SINCE 1900, the number of Americans over sixty-five years of age has quadrupled, while the entire population has only doubled. There are now nearly 14 million persons aged sixty-five or older in this country, most of whom are women. About two-thirds of the total are over seventy. Significantly, three out of four of those past sixty-five have either no income whatsoever or an income of less than $1,000 a year, according to a recent Twentieth Century Fund survey.

Many of them live with children or relatives who have substantial incomes. Still, with only 20 per cent of our senior citizens receiving public assistance, it is clear that economic protection of the aged leaves much to be desired.

Even for those who receive social security benefits, the maximum monthly payment is only $108.50 for a single person, and from $162.75 to $217.00 for a married couple.

Many individuals receiving benefits from private and other public pension plans are also not particularly well off. Ex-teachers, for example, sometimes find it necessary to seek public assistance funds to supplement their pensions.

Contributing to the problem of old-age insecurity is the frequent unwillingness or inability of children to help maintain their elderly parents. This is a relatively recent development. In the past, when many families lived on farms, an older person in the home was an asset. He could help gather crops, mend equipment or

make clothing. Now, with a growing urban population living in small apartments and dependent upon salaries and wages, the older dependent person becomes an economic liability. There is practically nothing he can do that will bring in money. If he must be maintained by his children in separate living quarters, the problem is, of course, that much the greater.

Caught in this struggle, the older person suffers mentally and physicially from a feeling of rejection. He may even try to get by alone with inadequate means so as not to burden his family.

Given these problems, what can society do to improve the economic status of its steadily increasing aged population? The basic solution, of course, is to increase income and savings during a man's working years. This, in turn, depends upon maintenance of a healthy, growing economy.

In this connection, it is worth noting that between 1929 and 1952 our gross national product (the annual national output of goods and services in dollars) doubled. And some economists forecast that the real GNP will more than double by 1980, while our population will increase by only about 20 per cent. In such an expanding economy, we should be prepared to provide more adequately for our aged. Certainly, if a worker receives greater income, he can save more for his old age.

ANOTHER way of adding to the worker's lifetime income is to extend the retirement age. Probably half of those who retire today are forced to do so by their employer's retirement rules. But there is a danger in such rules. As the Twentieth Century Fund study reports, "If universal retirement at age sixty-five were to become general, the nation would be deprived of the output of about 3 million workers, amounting to about 11 billion dollars in gross national product."

Besides, is there actually any such thing as a universally valid retirement age?

Industry is usually willing to grant that there is not, except in jobs that require a machine-speed pace or great physical strength.

The reason why many companies specify a universal retirement age is that it bars any possibility of discrimination and makes retirement more acceptable to all. That this is a serious problem which makes the establishment of a less rigid retirement policy difficult is obvious. If industry were to set up physical or mental tests to determine when

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a man is going to retire, it would definitely alienate *somebody*.

However, something should be done to make retirement policies more flexible, since employment is the largest single source of income for most people over sixty-five. Certainly, the 30 per cent of the aged who work are in a better financial position than most of those who receive social security or pension benefits, or who live on accumulated savings.

Besides allowing workers to remain on the job longer, there should be employment opportunities for workers past age sixty-five which are in line with their abilities. There should also be more part-time work. The local community, the state and industry can all work toward these ends. Realizing this, New York State Senator Thomas C. Desmond (R —Orange-Rockland), chairman of the Joint Legislative Committee on Problems of the Aging, recently urged the Legislature to permit the state employment service to allocate public funds to private nonprofit agencies that aid the older job-seekers.

IN LINE with this kind of thinking, some firms are advising workers of retirement age about other jobs available to them in different fields. Doubtless, when a more flexible retirement policy goes into effect, the need for job counseling of older workers within companies will increase.

The federal government, too, might stimulate more over-sixty-five employment by inaugurating a sliding scale of social security payments, so that these people will not refuse work which otherwise would cause them to lose their social security benefits. In many instances, the small amount they are permitted to earn without loss of benefits is far from adequate, and this fact dampens their incentive to work.

The community can help older workers to find work, at least part time, by expanding adult education services to retrain them for changing job opportunities. This is essential because plant relocation and replacement of human skills by machines are apt to hit older workers first.

State grants could encourage local school boards to set up special education programs for the aged to help them renew their earning power. Such a proposal was recently made to the New York State Legislature.

Furthermore, both local communities and the states might develop research projects to improve medical and nursing care of the aged. This would enable additional numbers of our older citizens to be rehabilitated for work, or permit them to remain longer on the job.

For an immediate method to provide more income for the aged generally, the U. S. Chamber of Commerce recently proposed a "blanketing in" under Old Age and Survivors Insurance all the retired people over age sixty-five who are not now covered and providing them with its minimum benefits. This would eliminate the "means" test for those in need of old-age assistance and would eliminate duplication with state assistance plans in providing economic help to the aged.

THOSE who reject the proposal argue that the minimum benefit under OASI currently would be grossly inadequate. But even if raised to the average monthly benefit for old-age assistance—about fifty-two dollars in 1955—it would necessarily mean increased minimum payments for those people already covered by OASI, as well as for those entering for the first time. Hence, it would cause a marked increase in the cost of this protection.

Whatever plans are adopted to improve the economic status of the aged, certain supplementary provisions are also needed. These include President Eisenhower's proposal that Congress authorize a separate program through which the federal government would match funds spent by the states and local areas for medical care of the needy aged, since illness and disability are major causes of their economic dependency.

In this connection, ways of making health insurance protection more available to older persons are essential, as is the setting up of demonstration projects to teach those with chronic illnesses to care for themselves, thus avoiding expensive care in institutions.

That the measures needed to improve the economic status of our growing aged population present a crucial challenge, no one questions. Some solution must be found to the problems of income maintenance, employment, health, medical care and rehabilitation, counseling, education, housing and community planning and family relations. But only by meeting this challenge in all its facets can society hope to find a way to make old age not just a period of waiting for death but a desirable facet of life. ■

Housewife Helpers

THE HOUSEWIFE living in one of the 45,000,000 homes wired for electricity has an average of five electrical assistants to help her with her daily chores. Statistics show that more than 223,000,000 electrical appliances have been bought in the last six years.

Challenge Quiz

HOW WELL can you do with this true-false quiz? Test your ability to increase your knowledge through reading. Ten correct answers is Excellent; 9, Good; 8, Average. If you do the quiz *before* reading the articles, 6 correct answers is Good. Answers on page 49.

(1) Only 10% of the people in the world are ruled by colonial administrations.

True ☐ **False** ☐

(2) Employee stock purchase plans have never been as popular in the U. S. as they are today.

True ☐ **False** ☐

(3) The increasing social and cultural independence of future suburbs will not limit the expansion of metropolitan centers.

True ☐ **False** ☐

(4) Since its establishment in 1913, the Federal Reserve has steadily increased its power.

True ☐ **False** ☐

(5) There are fewer states today with fair-trade laws than there were in 1953.

True ☐ **False** ☐

(6) More than half of America's families own a home.

True ☐ **False** ☐

(7) People living in Puerto Rico pay U. S. federal taxes.

True ☐ **False** ☐

(8) Recognizing the publicity potential, movie exhibitors are happy that new films may be shown on TV and in theaters simultaneously.

True ☐ **False** ☐

(9) Seventy-five per cent of Americans over 65 have annual incomes under $1,000.

True ☐ **False** ☐

(10) Quality must be sacrificed by a society which insists on mass participation in economic, social and political aspects of life.

True ☐ **False** ☐

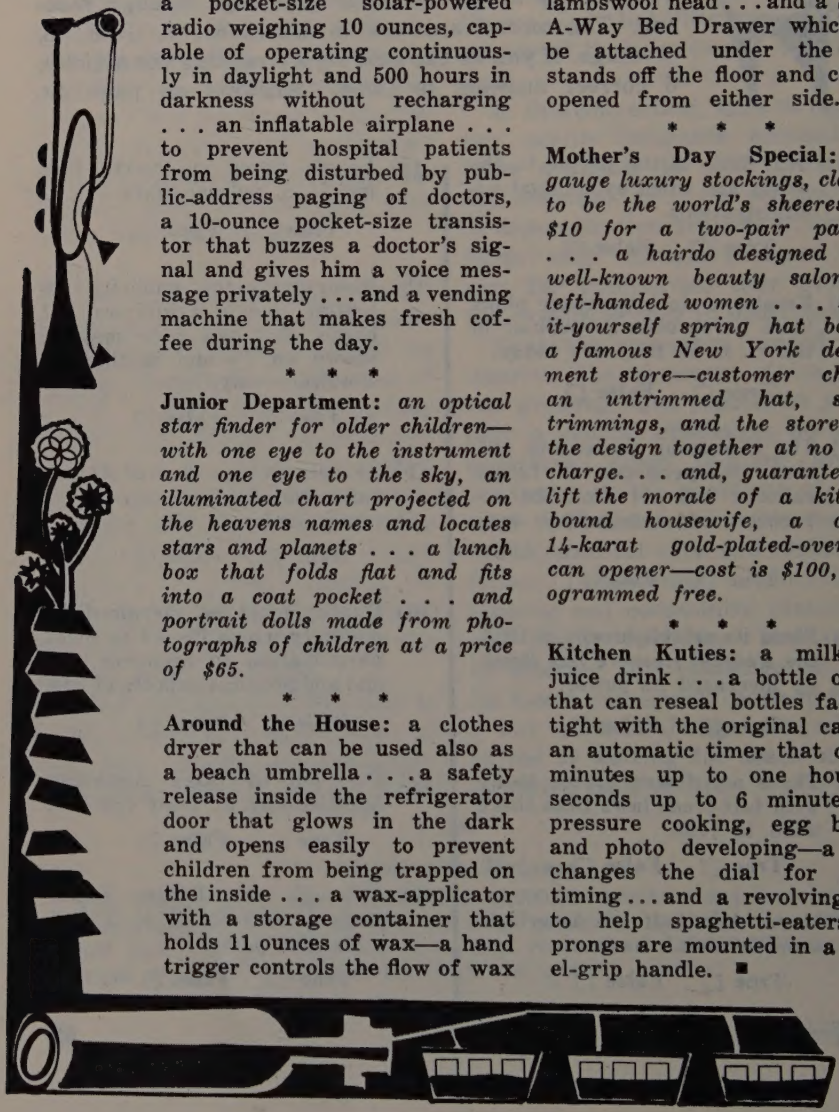
(11) Two out of three American families own at least one car.

True ☐ **False** ☐

(12) Although the British Labor party is anti-Soviet, it is still a Marxist party.

True ☐ **False** ☐

Dept. of Better Mousetraps



From the World of Industry: a pocket-size solar-powered radio weighing 10 ounces, capable of operating continuously in daylight and 500 hours in darkness without recharging . . . an inflatable airplane . . . to prevent hospital patients from being disturbed by public-address paging of doctors, a 10-ounce pocket-size transistor that buzzes a doctor's signal and gives him a voice message privately . . . and a vending machine that makes fresh coffee during the day.

* * *

Junior Department: *an optical star finder for older children—with one eye to the instrument and one eye to the sky, an illuminated chart projected on the heavens names and locates stars and planets . . . a lunch box that folds flat and fits into a coat pocket . . . and portrait dolls made from photographs of children at a price of $65.*

* * *

Around the House: a clothes dryer that can be used also as a beach umbrella . . . a safety release inside the refrigerator door that glows in the dark and opens easily to prevent children from being trapped on the inside . . . a wax-applicator with a storage container that holds 11 ounces of wax—a hand trigger controls the flow of wax from the container to the lambswool head . . . and a Stow-A-Way Bed Drawer which can be attached under the bed, stands off the floor and can be opened from either side.

* * *

Mother's Day Special: *90-gauge luxury stockings, claimed to be the world's sheerest, at $10 for a two-pair package . . . a hairdo designed by a well-known beauty salon for left-handed women . . . a do-it-yourself spring hat bar at a famous New York department store—customer chooses an untrimmed hat, selects trimmings, and the store puts the design together at no extra charge. . . and, guaranteed to lift the morale of a kitchen-bound housewife, a deluxe 14-karat gold-plated-over-steel can opener—cost is $100, monogrammed free.*

* * *

Kitchen Kuties: a milk-fruit juice drink . . . a bottle opener that can reseal bottles factory-tight with the original caps . . . an automatic timer that counts minutes up to one hour or seconds up to 6 minutes for pressure cooking, egg boiling and photo developing—a lever changes the dial for either timing . . . and a revolving fork to help spaghetti-eaters—the prongs are mounted in a swivel-grip handle. ■